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Second Committee

Summary record of the 6th meeting
Held at Headquarters, New York, on Wednesday, 5 October 2005, at 11.30 a.m.

Chairman: Mr. Wali ..... (Nigeria)

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General debate (*continued*)

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05-53665 (E)

The meeting was called to order at 11.35 a.m.

General debate (*continued*)

1. **Mr. Kafando** (Burkina Faso) said that, although five years had passed since the international community had adopted the global objective of strengthening the partnership between North and South with a view to ensuring sustainable development, economic disparities had continued to grow and the situation had been made worse by globalization. Nevertheless, the recent World Summit gave cause for hope. With regard to financing for development, the Summit Outcome had affirmed the relevance and legitimacy of the Millennium Development Goals, and reiterated the goal that the developed countries should provide official development assistance equivalent to 0.7 per cent of their GNP, as well as setting out a precise timetable for that to be done. That commitment, which was to be applauded, now remained to be carried out. The Summit's consensus on debt cancellation and the allocation of grants to finance poverty elimination measures was also welcomed, and initiatives in that connection needed to be strengthened.

2. With respect to Africa, the Summit had made major commitments aimed at strengthening the New Partnership for Africa's Development. As for rural and agricultural development, the fact that the Summit had agreed to increase agricultural development aid and build up developing countries' capacity in the area of trade in agricultural products showed that the issue of hunger and food self-sufficiency was not a national responsibility alone, and that the international community needed to be involved as well. Other items agreed upon at the Summit, which the Second Committee should examine, were full employment, rights of migrants and the excessive cost of remittances made by expatriate workers to their home countries. It was hoped that the high-level dialogue on international migration and development to be held in 2006 would take into account the agreement in principle reached at the Summit.

3. Fighting poverty required examining the relationship between development and the environment. The rapid depletion of the ozone layer, the extinction of plant and animal species, rampant desertification and the ensuing frequent droughts, and gradual deforestation were problems of concern to everyone, and the international community needed to look beyond existing institutional arrangements and commit itself to financing sustainable development.

4. In conjunction with its work with development partners to achieve sustainable development objectives, Burkina Faso had instituted a Strategic Framework for Combating Poverty as a high-priority programme of action covering the period from 2004 to 2006. The task of renewing economic and social policy from a sustainable-development perspective was backed up by the democratization and good governance efforts being made daily, and a process of decentralization that enabled local communities to play a greater role in development activities. Despite the difficult political context in the subregion and an international environment characterized by declining cotton prices, a falling dollar and soaring oil costs, Burkina Faso's economy had maintained a growth rate on the order of 5 per cent per annum. Nevertheless, the country had meagre resources available for social programmes, it suffered from extreme poverty and its people were vulnerable to adversity of any kind such as HIV/AIDS or recurring droughts.

5. It was appropriate for the United Nations system to become more involved in all efforts to help vulnerable populations living in the most disadvantaged places on the planet, such as Africa, for people around the world were expecting lasting solutions to be found to the problems of their survival. The least developed countries, landlocked developing countries and small island developing States all merited special attention in that regard. The action of the United Nations system needed to be carried out more effectively through the agencies responsible for operational activities in each country. Particular tribute was due to the Millennium Project team led by Professor Jeffrey Sachs for promoting capacity-building in developing countries with a view to achieving the Millennium Development Goals.

6. **Mr. Lwin** (Myanmar) welcomed the establishment of timetables by a number of developed countries for achieving the target of official development assistance representing 0.7 per cent of GNP by 2015, and at least 0.5 per cent of GNP by 2010, and called on those developed countries that had not yet done so to follow suit. Developing countries also had to be given debt relief, including grant-based financing and 100 per cent debt cancellation.

7. Myanmar's National Development Plan and Programmes covered major aspects of the Millennium Development Goals, and as a result the country was making satisfactory progress towards reaching the Goals by 2015. Over the previous four years, Myanmar's economy had posted an average growth rate of 12.5 per cent; 176 dams, 202 major bridges and almost 60,000 kilometres of road had been built; 124 new universities had been opened; the adult literacy rate was 94 per cent; primary school enrolment had reached 98 per cent; and 188 new hospitals had been opened. By 2006, a further 12,000 villages would be provided with access to safe drinking water, bringing the total number of such villages to more than 40,000.

8. Myanmar was making progress in developing its economy primarily using its own resources, as its right to external assistance was being consistently denied by international financial institutions. Were external financial assistance available, however, the country could step up its pace of development. Donor countries and international financial institutions should refrain from using financial assistance as a coercive tool to achieve their demands for political and social reform in a recipient country. Development assistance should not be tied to conditionality and selectivity.

9. The world trading system remained inequitable, and some developed countries continued to practise protectionism. It was not ethical to impose unilateral sanctions against developing countries on the pretext of maintaining labour or human rights standards, ignoring the principle of sovereignty and a country's right of self-determination. Developing countries were hobbled in their development efforts by a lack of access to international markets for commodities, limited inflows of capital and technology and dwindling amounts of official development assistance. Such assistance should be used as a tool to leverage foreign direct investment consistent with the objectives of the recipient country. Important policy decisions affecting developing countries had to be based on the principle of inclusiveness. None should be excluded on the basis of selective political discrimination.

10. Development was a fundamental goal in itself, and an indispensable foundation for a new collective security system. The asymmetric distribution of benefits and risks arising from globalization needed to be redressed, and joint action by all States Members of the United Nations was needed.

11. **Mr. Latheef** (Maldives) said that no country in the world was immune from the devastating effects of extreme weather conditions and climate change. Nature did not mete out such disasters on the basis of how well equipped a country was to deal with the aftermath, or what responsibility a country bore for environmental degradation.

12. In an instant, the Indian Ocean tsunami of December 2004 had destroyed 62 per cent of the country's GDP, 12 inhabited islands had been reduced to rubble, and social and economic infrastructure in over a quarter of the inhabited islands had been damaged or destroyed. Whereas the country's average rate of growth had been 8 per cent per annum in recent years, a contraction in the range of 3 to 4 per cent was forecast for 2005. Rising oil prices, borrowing to finance reconstruction, and tourism revenue shortfalls were worsening an already critical situation, and IMF was warning of a financial crisis. For the first time in the country's history, it was obliged to appeal for budgetary support from the international community.

13. In regard to environmental sustainability, empty promises had to be replaced by decisive action. Internationally agreed standards of protection and preservation, such as the Kyoto Protocol, had to be put into practice without delay. Developing countries should be assisted in capacity-building to improve their resilience and integrate adaptation goals into their sustainable development strategies. The special needs and vulnerabilities of small island developing States similarly required urgent attention, and to that end meaningful implementation of the Mauritius Strategy was vital.

14. Globalization, with all its potential, continued to deepen the rifts between the developed and developing countries. Actions, not words, were needed to assure the realization of the Millennium Development Goals. Recent initiatives taken by many developed countries to meet the target of providing official development assistance in an amount equal to 0.7 per cent of GNP by 2015 were encouraging.

15. It was hoped that international support for the country's efforts to recover from the tsunami would be forthcoming. Before the tsunami, the Maldives had been well on track to achieve the Millennium Development Goals by 2015, and indeed some targets had already been achieved. The Maldives were counting on assistance from international development

partners to regain the momentum lost, and achieve the Goals as planned.

16. The Maldives fully supported the 2005 World Summit Outcome and, as one of the smallest and most vulnerable members of the Organization, recognized that it relied on other members of the international community to assure the success of its development efforts.

17. **Mr. Al-Ghanim** (Kuwait) said that Kuwait attached importance to collective action aimed at achieving the goals of the Millennium Declaration and the outcomes of the Monterrey Conference, and joined with the international community in the task of harnessing globalization for the benefit of its own people and all of humankind. Kuwait was disappointed that efforts to meet the Millennium Development Goals had achieved only mixed results in most regions. Whether it was gaps in infrastructure, funding, expertise, or modern communications and technology that prevented those regions from gaining maximum benefit from the positive aspects of globalization, there could be no doubt that unilateral action had fallen short. What was needed was collective action within the context of a partnership between developed and developing countries in which each party carried out its responsibilities.

18. It was incumbent on the developed States to fulfil their commitment to provide financial, technical, technological and medical assistance at a rate of 0.7 per cent of their GNP for developing States and between 0.15 and 0.20 per cent for the least developed States, in support of national strategies formulated with a view to achieving the Millennium Development Goals. In this regard, Kuwait appreciated the serious efforts most of the developing countries had made to apply the concepts of good governance, rule of law, fighting corruption, and transparent democratization, as well as the inclusion of women in the public, private, political and economic sectors.

19. Kuwait recognized the role of equitable trade liberalization and investment promotion in hastening the pace of development, and had conducted a review of its economic and trade laws with a view to integration into the global economy. The most notable new legislation had included a law on intellectual property rights, a capital investment law that allowed foreign investors up to 100 per cent ownership, and laws enabling foreign banks to operate in Kuwait. The Government had also established a free trade zone in 1998 to coordinate trade and investment for all States in the region, and had made the necessary efforts to modify regulatory laws and legislations to conform to international agreements and the World Trade Agreement. Kuwait hoped for fair inclusion of the developing countries in the international trade negotiations in Hong Kong, which would be a first step towards the successful completion of the Doha Round.

20. Kuwait had contributed to projects in developing nations bilaterally through the Kuwait Fund for Arab Economic Development, whose approximately $12 billion had benefited more than 101 States, and through regional and international bodies or funds such as the OPEC Fund and the African Development Bank. Kuwait's average assistance rate of 1.3 of its gross national income between 1990 and 2003 had exceeded the target percentage. Kuwait applauded the Group of Eight (G-8) and European Union initiatives to cancel the debts of the poorest and heavily indebted countries and hoped that the debts of all developing countries could be rescheduled and alleviated in accordance with the Paris Club's Evian approach.

21. The State of Kuwait was using the latest environmental technology for producing, refining and burning fuel and helping to stabilize oil markets whose recent rise, due to the global economic recovery that had caused a sharp rise in commodity prices, had as negative an effect on the producer as the consumer. The OPEC States were working to rectify that situation through greater investment in production and greater cooperation with other oil-producing parties. The unusual disruption in the oil markets was exacerbated by recent natural disasters in oil-producing regions and lack of investment in refineries. Kuwait was seeking solutions through investment in refineries and partnerships in Asia and America to meet the future needs of the global market.

22. **Mr. Chidumo** (Mozambique) said the fact that the Summit Outcome had failed to meet the expectations of developing countries should not affect the determination of States to work together for the common good. He welcomed the European Union's decision to set a timetable for meeting the target of devoting 0.7 per cent of GNI to ODA by 2015, urging other countries to emulate that example. After commending the commitments made by donors to increase aid by around $130 billion a year by 2010, including doubling the amount of aid to sub-Saharan

Africa over the same period, he urged the international community to explore innovative sources of financing. He also stressed the importance of initiatives to enhance the quality of aid, including the Paris Declaration on Aid Effectiveness. His country, one of the most aid-dependent countries in Africa, put a high premium on improving aid effectiveness.

23. He looked forward to the day when the Group of Eight decision to cancel the debt of 18 heavily indebted poor countries, including his own, would be enforced, releasing resources for poverty alleviation. Mozambique, which was committed to taking responsibility for its own development, believed that capacity-building and technical assistance from abroad would be crucial in achieving that goal. In that regard, he was encouraged by the resolve of the 2005 Summit to strengthen cooperation with the New Partnership for Africa's Development (NEPAD) and provide coherent support for programmes drawn up by African leaders.

24. He called for stronger commitment by and help from the international community in combating pandemic diseases, such as HIV/AIDS, malaria and tuberculosis, which jeopardized development efforts in developing countries, particularly in Africa. With regard to trade, the international community must renew its commitment to ensuring that the upcoming Hong Kong Ministerial Conference of the World Trade Organization (WTO) achieved the development goals contained in the Doha Declaration. Africa's problems in that area, including structural constraints such as dependency on a limited number of export commodities and limited access for farmers to credit, needed to be urgently addressed in a holistic manner. Agriculture was a strategic sector in Africa, with 70 per cent of its population depending on it for their income. Addressing that issue was vital for the eradication of poverty. The United Nations Conference on Trade and Development (UNCTAD) was encouraged to play a catalytic role to ensure that trade negotiations reflected the concerns of the least developed countries.

25. **Mr. Bharati** (Nepal) welcomed the setting of a timetable by the European Union for reaching the target of 0.7 per cent of GNI as ODA to developing countries by 2015 and its commitment to double aid by 2010 to over $80 billion and urged other developed countries to do likewise. While he welcomed the G-8 proposal to cancel the debt of 18 heavily indebted poor countries, he believed that initiative should be extended to all least developed countries, especially those racked by conflict, if world leaders were really serious about making poverty history. Indeed, owing to rampant terrorism, development in his country had been greatly constrained in recent years. Determined to defeat that scourge, his Government had been implementing targeted programmes of poverty eradication and sustainable development.

26. The current tenth national development plan had focused on poverty eradication, social inclusion, sustained economic growth and promotion of sustainable development. The Government had also initiated a programme focusing, inter alia, on improving service delivery in remote rural areas. Nepal had been continuing its economic reforms in order to encourage the private sector to play a leadership role in economic development. It had been pursuing trade liberalization and putting in place trade laws consistent with WTO provisions. For trade to become a catalyst for development, however, the least developed and landlocked countries needed increased trading opportunities with unhindered market access. In that regard, his delegation advocated full implementation of the Almaty Declaration and the Almaty Programme of Action. Furthermore, implementation of the special and differential provisions of WTO agreements, along with international commitments and consensus, including the Brussels Programme of Action for the Least Developed Countries, would help to ensure full participation by landlocked and least developed countries in the multilateral trading system.

27. **Ms. Holguín** (Colombia) said that, like other middle-income countries, Colombia had incorporated the major development goals of recent summits and conferences into its policies. Free access to international markets in order to export products under fair conditions was important, as was access to sources of international financing to consolidate sustainable development. Achievement of the Millennium Development Goals should provide the basis for consolidating macroeconomic structures to strengthen employment and education policies to reinforce social and productive investments and the competitiveness of developing countries. The eradication of extreme poverty could not be achieved through ODA alone.

28. While believing in North-South cooperation, Colombia considered that developing countries should enhance South-South cooperation. The Doha Declaration emphasized the importance of

strengthening South-South trade initiatives, such as the Global System of Trade Preferences Among Developing Countries. Cooperation in the financial, scientific and technical spheres should also be reinforced in order to build national capacity that would permit economic diversification and sustainable resource management.

29. Colombia recognized the link between international migration and development. It was important to minimize the negative social, political and economic impact of migratory processes, while acknowledging their positive contributions. The General Assembly was organizing a high-level dialogue on international migration in 2006; it would provide the opportunity for countries of origin, transit and destination to reach agreement on managing migration, while respecting the dignity and human rights of migrants and their families.

30. In the fight against corruption, Colombia considered it important to promote the principle of shared international responsibility and insisted that banking secrecy should be lifted, and the funds originating from corruption seized and returned in order to attack the financial proceeds of such crimes directly. With regard to the environment, the protection of biological diversity, particularly genetic resources, was particularly relevant to Colombia, and a fair and equitable distribution of the benefits deriving from their use should be ensured. Also, appropriate housing and potable water policies were essential for poverty eradication and environmental protection.

31. Colombia had always supported a multilateral solution to climate change. International efforts should be concentrated on developing a comprehensive global regime, based on the principle of joint but differentiated responsibilities. It was necessary to work towards preventing natural disasters. Local and regional experiences were a valuable resource for creating sustainable strategies. The Andean Community had developed a strategy for the prevention of disasters and, while international cooperation was required in order fully to implement it, the Community could share its experiences with other countries and regions. Lastly, Colombia considered that the Economic and Social Council should become a major development forum.

32. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), said that the Second Committee had the heavy responsibility of articulating the collective obligations in economic and financial matters and ensuring their practical realization. The Caribbean nations faced the simultaneous challenge of attaining fuller integration into the global economy while achieving sustainable growth and development to ensure the welfare and prosperity of their people. Thus, the sustained cooperation and support of the international community remained essential; in fact, it was especially critical at a time when a widely expanded range of threats, natural and man-made, magnified the vulnerabilities of the region.

33. Member States of CARICOM had entered into diverse bilateral, regional and multilateral partnerships to foster overall development and were committed to the establishment of the CARICOM Single Market and Economy. Trade was the preferred route to guarantee the development of the region; a more coherent and supportive international trading and financial system would complement national and regional efforts.

34. The recent decision of the Bretton Woods institutions to support the initiative to cancel the debt of heavily indebted poor countries was laudable. Nevertheless, further action was required to address debt sustainability issues for lower middle-income countries and the adverse impact of unilateral changes in trade arrangements that could devastate the economies of many countries.

35. During the recent High-level Plenary Meeting, leaders had referred to the need for a more coordinated and systematic approach to development, particularly by the United Nations bodies and agencies. A holistic approach to the use of available and potential resources to ensure sustained equitable global development should be articulated, and the Economic and Social Council should be strengthened to allow it to play a central role in the promotion of international economic and social cooperation. All stakeholders recognized that additional resources were needed to spur development; however, all the possible consequences of new measures envisaged to provide such resources should be analysed prior to implementation.

36. Given their dependence on the natural environment for their subsistence, environmental protection issues were of special relevance to the countries of the Caribbean Community. Despite efforts to mitigate natural disasters, response was constrained

by limited capacity and resources. CARICOM therefore called for early establishment of the Caribbean regional node of the global early warning system and stressed the need to develop mechanisms to support post-disaster recovery.

37. Increased collaboration was needed in all areas, including such disparate sectors as technology transfer and international crime. Lastly, the eradication of hunger and poverty remained central to the achievement of the agreed development goals. The elaboration of a matrix to monitor more closely the responsibilities and progress in relation to the goals was a welcome idea.

38. **Mr. Chng** (Singapore) said that countries could not afford to be isolationist; their success would depend on how well they were able to connect themselves to international networks. During the Cold War, there had been a clear strategic imperative for rich countries to help the poorer countries in their sphere of influence, so as to build alliances. Today, the rich were asked to help the poor because they had a moral obligation. But development was driven by hard strategic interests.

39. The wide gap between the marginalized and those who were connected was continuing to grow. Such inequality was of concern, not only for humanitarian reasons, but because poverty was more likely to foster instability, war and terrorism and, in an integrated world, upheaval and unrest in one country had a ripple effect on the rest of the international community.

40. Since 2000, world leaders had agreed on several blueprints for development. However, to attain the goals established, it was necessary to build a real consensus that development was an international strategic imperative with a direct impact on the stability of the world. States could no longer collide or cooperate at the boundaries of their sovereignties; a shared responsibility for global governance was required. However, at the national level, States had to develop and define their own models of governance, within their own unique context and circumstances. Their approach should be based on a sound analysis of what was practical, not doctrinal, and on a logical rather than a philosophical framework. Despite globalization, the traditional role of the nation-State has increased rather than diminished in importance. Each country had the primary responsibility for its own economic and social development, and the role of national policies and development strategies could not be overemphasized. Consequently, although developed countries should help developing countries, the latter must adopt a realistic and pragmatic approach and play their part in furthering development, which could require difficult domestic changes and adjustments. They should also play an active role in helping each other; South-South trade had become a major driving force in raising the share in world trade of all developing countries. Protectionism was the swiftest road to poverty, whereas greater integration in global trade offered the best prospect for a sustained rise in living standards and economic development in the developing regions.

41. Developed countries should understand that it was in their collective self-interest to work in close partnership with developing countries to help the latter succeed. Official development assistance was important, but the developed countries should also dismantle farming subsidies that made it impossible for farmers in poor developing countries to compete. The Doha Round of trade negotiations provided an important opportunity to resolve such inequalities.

The meeting rose at 1 p.m.

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Second Committee

Summary record of the 7th meeting
Held at Headquarters, New York, on Wednesday, 5 October 2005, at 3 p.m.

Chairman: Mr. Wali ..... (Nigeria)
later: Mr. Koudelka (Vice-Chairman) ..... (Czech Republic)

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General debate (*continued*)

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05-53677 (E)

The meeting was called to order at 3.05 p.m.

General debate (*continued*)

1. **Mr. Bossna** (Congo) said that the forceful reaffirmation at the High-level Plenary Meeting of the General Assembly of the outcomes of all the major conferences and summit meetings in the economic and social areas, including the Millennium Summit, constituted the platform for work at the current session. It was now the Committee's task to translate the United Nations development agenda into action.

2. The international community now had a real awareness of the devastating effect of poverty throughout the world. Commendable initiatives had been taken to direct more development funds towards its eradication, such as the European Union's timetable for achieving the target of 0.7 per cent of gross national product (GNP) for official development assistance (ODA), or the various proposals by heads of State to strengthen traditional sources of financing for development, or the Group of Eight's decision on the cancellation of the debt of 18 of the poorest countries, just ratified by the multilateral financing institutions. Thanks were due to those wealthy countries which had undertaken to compensate the World Bank and the International Monetary Fund for the resulting shortfalls. On the other hand, the lengthy procedures required for a country to qualify under the Heavily Indebted Poor Countries (HIPC) Initiative were standing in the way of urgently needed solutions to problems in such areas as health, education and food.

3. Priority must be given to resolving various issues connected with trade, new technologies, commodities, structural deficits and global economic decision-making. If world trade was to become the engine of development, the commitments made under the Monterrey Consensus and the Doha Round of negotiations had to be implemented. The developing countries, which, generally speaking, relied too heavily on commodity exports, must be helped to restructure and diversify their economies to become competitive in international markets. Welcome recommendations had been made at the High-level Plenary Meeting of the General Assembly, calling for structural and macroeconomic reforms, the settlement of the external debt problem and the opening of markets to the products of developing countries. The heads of State or Government had rightly underscored the importance of complementary South-South cooperation.

4. Recent natural catastrophes throughout the world had shown how indispensable concerted global action was. The full realization of Agenda 21 and the Johannesburg Plan of Implementation was essential.

5. All indications were that the African continent was still lagging the most in development. Consequently, the New Partnership for Africa's Development (NEPAD) should be supported, the debt question should be resolved, and efforts being made in the fields of trade, education and health should be assisted.

6. **Mr. Song** Se Il (Democratic People's Republic of Korea) said that under the current unjust international economic order the right of the developing countries to development was largely being ignored and their opinions were not being honoured in the course of decision-making. Moreover, high-handed actions such as military aggression or economic embargoes, justified under the cloak of humanitarianism or anti-terrorism, threatened the sovereignty and rights of the developing countries.

7. The developed countries should, without preconditions, increase ODA and foreign direct investment and should act decisively to solve the external debt problem. The commodities market needed to be stabilized and the preferential system strengthened so that the developing countries could raise development funds from international trade. Those countries' full and equal participation in multilateral trade and international financial institutions should be guaranteed, and international development strategies should be geared to support national strategies and policies in such a way as to make the developing countries more self-reliant. There was no universal economic model applicable to all countries. Unilateral economic actions contrary to United Nations principles by foreign Governments should never be permitted.

8. His Government had been undertaking structural reforms to revitalize the economy through such projects as large-scale land and waterway rehabilitation for sustainable development and the building of hydroelectric power plants to solve the energy problem. It would continue its cooperative relationship with the international community to achieve the Millennium Development Goals.

9. **Mr. Shin** Kak-soo (Republic of Korea) welcomed the renewed commitment of the world's leaders to a comprehensive, action-oriented development agenda, including the Millennium Development Goals. The 2005 World Summit Outcome might not be satisfactory to all, but it was the agreed guideline for action, and it should be followed faithfully.

10. The means were available to lift the whole world out of poverty and underdevelopment. What was needed was concrete action on the development of nationally owned strategies, global partnerships, financing for development, domestic resource mobilization, trade, and sustainable development; and the Committee should adopt resolutions on those issues.

11. The developing countries had reaffirmed responsibility for their own governance and their own development, and experience had confirmed the importance of national development strategies and the reform of broad sectors -- such as the banking sector, the tax administration, the public sector and the regulatory framework for business — in increasing the resources available for development and ensuring their effective use.

12. His Government was encouraged by the timetables set by many developed countries for reaching the target of 0.7 per cent of gross national income (GNI) as ODA by 2015 and the other commitments made to a substantial increase in ODA by 2010. In keeping with the Paris Declaration on Aid Effectiveness, donor States should give aid more effectively and developing countries should improve their financial management and their capacity to absorb aid. As an emerging donor, the Republic of Korea had continued, despite the East Asian financial crisis, to increase its ODA, doubling it between 2000 and 2004 and hoping to double it again by 2009. It was building partnerships with developing countries in other ways as well, using its expertise to help build and host an Asian-Pacific training centre for information and communication technology as a contribution to reducing the digital divide.

13. The role of trade as an engine of growth should be enhanced. It was essential to complete the Doha Development Agenda negotiations and to help the developing countries to build their trade-related competitiveness and capacities by diversifying their commodity sectors and developing their productive capacities.

14. His Government was dedicated to good governance and the fight against corruption as essential ingredients in development. It intended soon to ratify the United Nations Convention against Corruption and urged other States to do so; and it was working with the Secretariat to establish a United Nations Governance Centre in the Republic of Korea, where experience could be shared among nations.

15. Health was another area requiring collective action. His Government was contributing to the Global Fund to Fight AIDS, Malaria and Tuberculosis and helping the International Vaccine Institute to bring vaccines to the world's poorest regions, and it had helped launch the International Partnership on Avian and Pandemic Influenza.

16. The slow progress towards achieving the Millennium Development Goals in parts of Africa, Asia and the Pacific could be accelerated only by paying increased attention to the special needs of Africa, the least developed countries, the landlocked developing countries and the small island developing States. The Asia-Pacific region was home to two thirds of the world's poorest people and nearly 40 per cent of the total population of the least developed countries and badly needed assistance.

17. Environmental sustainability was inextricably linked to the other Millennium Development Goals, and the three pillars of sustainable development — economic development, social development and environmental protection — should be recognized as integrated, interdependent and mutually reinforcing. The forthcoming session of the Commission on Sustainable Development should pave the way for a consolidated policy on energy, climate, air pollution and industry, and the upcoming international negotiations on climate change should lead to prompt and effective action.

18. **Mr. Amin-Mansour** (Islamic Republic of Iran) said that, according to the report on the world economic situation and prospects as of mid-2005, growth in the world economy had slowed since the beginning of 2005, following considerable growth in 2004. Commodity prices had risen, suggesting a gap between supply and demand in certain sectors. The appropriate response was to focus short-term economic policies on the achievement of higher real output and employment. However, as the poor countries still had limited access to international trade and financial markets, even

favourable market conditions could not provide sufficient stimulus to ensure achievement of the Millennium Development Goals, and the report had rightly urged the implementation of commitments in the areas of ODA, debt relief and trade. The report had noted the slow growth of employment and the persistence of high rates of unemployment and underemployment in most developing countries as a universal weakness of the world economy. In order to reduce poverty, growth must be reflected in increased employment.

19. International cooperation and financing for development were undeniably vital to the achievement of the Millennium Development Goals. The Millennium Development Goals report for 2005 recorded progress, but stated that certain indicators were not promising. Thus, although fewer women overall were dying in childbirth, the countries most affected had not shown an improvement. HIV had increased in all regions and tuberculosis had re-emerged. Forests, species and habitats continued to disappear, and more cooperation was required in improving energy efficiency. In brief, the indicators in the progress report were not promising. National capacities for monitoring progress towards the Millennium Development Goals must be strengthened, and implementation of national plans and United Nations Development Programme (UNDP) projects expedited.

20. He noted with regret that the World Summit Outcome did not adequately address the special needs of developing countries in the areas of development and trade or provide the expected stimulus to accelerate implementation of the Goals. The United Nations should take into account and support national policies and priorities in order to achieve the Goals. A major constraint was lack of adequate and predictable funding. He commended the step taken by the Group of Eight (G-8) in cancelling the debt of 18 HIPC countries, but stressed that more substantial debt relief measures were needed. Unilateral coercive measures continued to threaten the emergence of an international environment favourable to sustained economic growth, sustainable development and achievement of the Goals by 2015.

21. It was generally accepted that oil prices had risen for a range of reasons, including growing demand, natural disasters, reduced oil refinery capacity, geopolitical developments, and taxes on oil products in industrialized countries. It should be noted that many oil-producing countries imported oil by-products, were therefore themselves adversely affected by oil price fluctuations, and would benefit from a stable and rational energy market. The oil-producing countries were further affected by the high cost of imported exploration and extraction equipment and, as oil prices were denominated in dollars, by depreciation of the dollar. There had been long periods over the past decades when oil prices had been low, causing the producing countries to increase production steadily until many were now producing at full capacity. To achieve sustainability of supply it was essential for the international community to support the oil-exporting developing countries with advanced oil-exploration technologies and investment in their exploration and production sectors, as well as to assist those countries to protect their petroleum facilities against natural disasters. The oil-producing countries were exposed to the price pressures of the world economy and were not in sole control of the price of oil.

22. The demand for oil could be reduced by striving for energy efficiency and using advanced, environmentally friendly and economically viable technologies. The fund established in 1976 by the Organization of Petroleum Exporting Countries (OPEC) to provide relief to the oil-importing developing countries within the framework of South-South cooperation had by the end of July 2005 extended cumulative development assistance in the amount of US$ 7.6 billion, a contribution which had been acknowledged in the World Summit Outcome. A sound and lasting partnership between energy-importing and energy-exporting countries was the basis of a stable energy market.

23. Cultivation and trafficking in narcotics had an adverse impact on the development process, as did natural disasters, whose effects could be mitigated by timely implementation of the Framework for Action adopted by the World Conference on Disaster Reduction in 2005 in Kobe, Japan.

24. There should be discussion at international level of the humanitarian assistance needed by refugees and their host countries. The high-level dialogue on international migration and development due to take place in 2006 could be influential in maximizing the benefits of migration and minimizing its negative impacts. In 2005 the Commission on Sustainable Development had concluded the first implementation cycle of the programme of work set in 2003 on water,

sanitation and human settlements. For many countries the policies and actions were not perfect, yet such implementation constituted a success on route to the realization of the Millennium Development Goals.

25. He regretted that the fifth session of the United Nations Forum on Forests had concluded without tangible results. Adoption by the Council of the Global Environment Facility of a Resource Allocation Framework was disturbing, in view of the relatively weak national capacities of the smaller and medium-sized developing countries. In 2006, which would be the International Year of Deserts and Desertification, the international community should address the causes of desertification and its impact in relation to poverty, deforestation, health, environmental sustainability, agriculture, migration and even climate change.

26. **Ms. Bauzán de Senes** (Uruguay) observed that sustainable development was a long-term goal whose fulfilment required the conjunction of a number of different factors, both internal and external. Internally, respect for the rule of law, democratic governance and human rights, the fight against corruption, and good public and financial management were essential. Internationally, development aid should be increased and effectively targeted, alternative sources of financing identified, the digital divide eliminated and trade liberalized.

27. The United Nations should be at the forefront of democratizing the benefits of globalization. Hence the importance of the restructuring and revitalization of the Organization's economic and social system. At the same time, the developed countries should contribute more funds to ensure the implementation of the decisions adopted at all United Nations conferences, including the Millennium Summit. In providing support to Member countries, the United Nations must work on the basis of universality and include countries which had, through strenuous efforts, managed to achieve intermediate levels of development but needed international support to sustain them. Currently middle-income countries were virtually excluded from ODA on the basis of partial criteria that did not take per capita debt into account.

28. To mitigate the economic and social impact of the recent crisis, Uruguay was implementing a national social emergency plan to integrate thousands living in extreme poverty, in close conjunction with medium- and long-term policies to ensure coverage of basic needs in the areas of food, housing, employment and education. At the same time, it was moving towards greater regional integration through the Common Market of the Southern Cone (MERCOSUR). Its sustainable development required the expansion, modernization and diversification of trade based on non-discriminatory and non-protectionist norms so that it could place on the global marketplace products which it could produce better and more cheaply. Every effort must be made to advance the progress of the Doha Round negotiations.

29. Uruguay was pleased to note that five developed countries had already honoured their pledge to earmark 0.7 per cent of GDP for ODA. It welcomed the proposals on innovative sources of financing for development and expressed the hope that the United Nations and the multilateral financing organizations would work together to mobilize the core resources needed for the financing of development.

30. On the question of external debt, it was important to strike a balance between the fulfilment of debt commitments and the allocation of the resources needed to satisfy national requirements and social demands. Recently, the Rio Group had developed innovative financing mechanisms that earmarked resources for social investment and infrastructure projects. The United Nations must also deal with the challenge of ensuring global food sufficiency, safeguarding the environment and conserving natural resources, by continuing to advance the implementation of Agenda 21 and the Johannesburg Plan of Implementation. Uruguay saw sustainable development as a harmonious process, in which economic growth, the exploitation of natural resources, the targeting of investment, social justice and controlled technological and institutional changes respected the needs of present and future generations.

31. *Mr. Koudelka (Czech Republic), Vice-Chairman, took the Chair.*

32. **Mr. Kittikhoun** (Lao People's Democratic Republic), speaking as Chairman of the Group of Landlocked Developing Countries, noted the gratifying momentum that the world economy had gained since the beginning of 2005. Growth in the developing countries had been the fastest for more than two decades, while output in the economies in transition continued to increase more rapidly than in the other major country groups. Nevertheless, prospects for full recovery of the world economy remained uncertain.

while growth had been strong in North America, it had been moderate in Japan and weak in Europe. The upsurge in oil prices had already slowed growth in international trade, particularly impacting the many developing countries — notably the least developed and the landlocked — that were largely reliant on imported oil.

33. In order to ensure sustained global growth, national policy actions must be complemented by enhanced international cooperation. Development must be placed at the core of international cooperation, and the participation of all developing countries, in global decision-making had to be enhanced. The Group renewed its call for an enabling global environment conducive to development and effective measures to stimulate growth and ensure stability of the world economy. Those measures should address the imbalances and systemic inequities in international economic relations, boost capital flows to developing countries, in particular the least developed and landlocked, and improve exchange-rate policy. The overriding aim should be to achieve the internationally agreed development goals, including the Millennium Development Goals.

34. The recent High-level Plenary Meeting of the General Assembly had been an important milestone, in that it had reaffirmed the commitment of the international community to pursue coordinated efforts towards achieving a world free from want, fear and injustice and a more effective and democratic United Nations. Although the Outcome had fallen short of the expectations of the developing countries, it could be regarded as a working basis for intensifying global action to realize those objectives. The need had been recognized to address the special challenges facing landlocked developing countries through the timely and effective implementation of the Almaty Programme of Action and the São Paulo Consensus, and the leaders assembled in the Summit had also acknowledged the special difficulties and concerns of those countries in their efforts to integrate their economies into the multilateral trading system.

35. The Group emphasized the importance of increased financing for development. However hard they had tried, their endeavours to mobilize domestic resources for development financing had remained inadequate, primarily owing to an insignificant increase in ODA and failure to attract foreign direct investment because of high transportation costs, a narrow resource base and small domestic markets. If the members of the Group were to overcome their financial and human resource constraints and move forward in their efforts to implement their international commitments, including the Millennium Development Goals, they should be provided with sufficient financial and technical support by the donor community, without harsh conditions or complex procedures. The Group welcomed the establishment of timetables by a number of developed countries to reach the target of 0.7 per cent of GNP for ODA by 2015 and urged other donors to follow suit by 2006, and to attain the target of 0.2 per cent of GNP for ODA to the least developed countries. While appreciating the initiatives of the Group of Eight in seeking to identify innovative sources of financing, the Group also reiterated its call for the full, timely and effective implementation of the commitments contained in the Monterrey Consensus in general and those relating to landlocked developing countries in particular.

36. The landlocked developing countries were increasingly marginalized in the world trading system, suffering as they did from prohibitive trading costs associated with their lack of territorial access to the sea, remoteness from major world markets, poor transport infrastructure and burdensome border crossings. According to recent studies, those countries had to spend about 13 per cent of their total export earnings on transport and insurance services, while the other developing countries and the developed countries, respectively, paid only 8 per cent and 6 per cent. That additional cost not only depleted the scarce national revenue of landlocked developing countries but also eroded their competitiveness in world trade. Since 1993, their participation in global trade had been stagnant, amounting in 2002 to no more that 0.5 per cent for trade in merchandise and 0.6 per cent for trade in services. Furthermore, they remained heavily dependent on trade in limited primary commodities, subject to high price volatility and fluctuating global demand.

37. In consequence, the Group stressed the importance of ensuring the equitable completion of the Doha Development Round as soon as possible. Furthermore, the current World Trade Organization (WTO) negotiations on market access for agricultural and non-agricultural goods should give particular attention to products of special interest to landlocked developing countries, as called for in the Almaty

Programme of Action, the São Paulo Consensus and relevant United Nations resolutions. In addition, concrete action should be taken to establish efficient transport and trade facilitation systems in both landlocked and transit developing countries, enabling the former to integrate themselves into the regional and global economy and raise their profile in the multilateral trading system. To that end, the Group was resolved to maintain its common position as outlined in the Asuncion Platform for the Doha Development Round adopted at the Meeting of Trade Ministers of landlocked developing countries held on 9 and 10 August 2005.

38. The Almaty Programme of Action had to remain an integral part of the overall process of implementing the outcomes of the major United Nations conferences and summits, and the Group renewed its appeal to all stakeholders to live up to their commitments as called for in that Programme. The Group also stressed the need for a more effective and empowered Economic and Social Council to serve as a lead body for coordination, policy review, policy dialogue and recommendations on issues of economic and social development.

39. **Ms. Davtyan** (Armenia) said that, while the 2005 World Summit Outcome might not be as ambitious as many States would have liked, it reflected the current international consensus on the issues on the global agenda, including development, and could therefore serve as a good basis for collective action in the coming years. Her delegation attached particular importance to the agreements reached on financing for development and debt cancellation and welcomed the time-bound commitments to increase ODA with a view to reaching the 0.7 per cent target by 2015. It also commended the G-8 initiative to cancel the debt of the HIPC countries and provide additional resources to sustain the financing capacity of the international financial institutions. Such commitments, together with efforts to increase aid effectiveness, would be a significant impetus to attaining the Millennium Development Goals.

40. Efforts were also needed to ensure a more equitable and open system of trade. While duty- and quota-free access was essential for the least developed countries, strategies were also needed to enhance the competitiveness and diversification of exports in developing countries and countries with economies in transition. Her delegation supported the call for completion of the Doha Round and hoped that the opportunity would be seized at the upcoming WTO Ministerial Conference. It was also pleased that the Outcome addressed the challenges faced by countries with special needs and called for effective implementation of the commitments made in Brussels, Almaty and Mauritius. It strongly condemned unilateral coercive measures and advocated their elimination, and, it also believed that projects envisaging new costly infrastructure in circumvention of existing ones would only add further tension to the already complex situation in the South Caucasus region; both practices hampered the development of individual countries and the entire region. She welcomed the attention given in the outcome document to the special needs of Africa and the renewed commitment to support the efforts of African countries and strengthen cooperation with NEPAD.

41. Recalling that strong national ownership of the development agenda, domestic resource mobilization, promotion of good governance, democracy and respect for human rights were an indispensable part of the global partnership for development, she emphasized the importance of comprehensive national development strategies, to be adopted by developing countries and countries with economies in transition by 2006. The current priorities for economic development in Armenia included job creation, export promotion and development of a knowledge-based economy, and special attention was also given to rural development. Armenia's Poverty Reduction Strategy Paper (PRSP) was based on a comprehensive approach to human poverty and addressed linkages with the Millennium Development Goals. Armenia had also adopted an action plan on combating corruption and signed the United Nations Convention against Corruption, which it was in the process of ratifying. Lastly, Armenia had always advocated the benefits of regional cooperation, particularly for environmental protection and confidence-building in situations of unresolved conflict.

42. **Mr. Al-Hadid** (Jordan) expressed the hope that the Doha Round in Hong Kong in December would produce agreement on trade issues, including agricultural support, access to markets and preferential treatment, and would produce a fair multilateral global trade system.

43. The decision by many developed countries to set a timetable to allocate 0.7 per cent of GNP to aid by 2015 was most commendable. Innovative methods to finance

development should be explored, and his Government welcomed the Emir of Qatar's invitation to host the follow-up conference to the Conference on Development Finance in 2007. The high-level dialogue of the General Assembly devoted to international migration and development in 2006 should provide an opportunity to debate migration and create appropriate ways to widen its benefits and limit its negative effects. A solution should be found to the problem of foreign debt, which continued to present many States with an insurmountable obstacle to sustainable development.

44. Jordan hoped to implement the Millennium Development Goals and concrete progress had been made. Significant reductions had been made in the levels of infant and child mortality and in the numbers of mothers who died during childbirth, and 97 per cent of all births currently took place under specialist medical supervision. The number of people living on less than one dollar per day had fallen and illiteracy, especially among 15-24-year-olds, had also decreased. The numbers of children enrolling in elementary school had risen markedly and more of them were reaching fifth grade. In addition, the gender gap in education had almost disappeared. Despite the scarcity of sources of water, drinking water had been provided to more than 95 per cent of inhabitants and over 60 per cent of people had access to sewage systems. The amount of land set aside for forests and natural reserves had doubled.

45. Economic policy in Jordan concentrated on continuing the process of economic reform with the aim of achieving sustainable development. Economic liberalization supported strengthening the private sector, increasing the competitiveness of the Jordanian economy, attracting more foreign investors, and converting from a resource-based economy to an information economy. In recent times, the Jordanian economy had maintained its pattern of growth. Taking into consideration the feasibility study undertaken by the World Bank on the Red Sea-Dead Sea Canal project, Jordan called on the international community to offer support and aid to save the Dead Sea from drying up.

46. **Mr. Najib** (Iraq) said that AIDS, mass poverty, and child mortality were all problems calling for collective action by the international community. Developed countries should honour their obligations by increasing development aid to 0.7 per cent of their GNP and by finding a solution to the problem of foreign indebtedness. His Government welcomed the G-8 initiative to cancel debt for some of the poor countries in Africa and hoped that other creditor countries would follow suit by cancelling the debts of other States in order to help their development, especially those countries that had recently emerged from war and internal conflicts. In that regard, Iraq greatly appreciated the help it had received to promote its development and reconstruction.

47. The achievements of the Monterrey, Johannesburg, and Doha Conferences required common efforts to create a fair, international system in which globalization and technology could be shared. World leaders had met recently to debate the implementation of the Millennium Declaration. It was hoped that that meeting would prove to be beneficial, particularly for developing countries, and that the second phase of the World Summit on the Information Society in Tunis in November would yield positive results.

48. Iraq had endured successive wars and international sanctions for more than a decade and as a result had suffered a serious decline in infrastructure and essential services. Development programmes had ceased while foreign debts had accumulated. His Government praised the initiatives taken by creditor States which had cancelled Iraq's debt obligations and called upon all donor States to deliver the assistance they had promised for the reconstruction of Iraq.

49. **Mr. Ani** (Nigeria) said that the World Summit Outcome contained decisions which should advance the development agenda, provided that they were not selectively applied. The Millennium Development Goals contained measurable targets by which all nations could judge themselves. Support for regional mechanisms, such as NEPAD, would complement the need for national ownership of the development process highlighted in the Summit Outcome. Concrete measures, including direct support for regional programmes and integration, would enable Africa to enter the mainstream of the world economy.

50. Commending the countries that had increased ODA to 0.7 per cent of GDP, he suggested that other developed countries should reach at least 0.5 per cent of GDP by 2010. It was generally recognized that innovative financing was vital for development, and the international community had the opportunity to make use of the International Financial Facility to target key areas such as health.

51. Debt relief should be extended to non-HIPC countries, thereby enhancing their capacity to attain the Millennium Development Goals. That move would be consistent with the appeal for 100 per cent debt cancellation, especially for low-income countries in the region, by the Assembly of the African Union at the fifth ordinary session in Sirte, Libya.

52. If the changes in and policy envisioned in the World Summit Outcome were to be effective, they had to be complemented by a fundamental restructuring of world trade that would allow trade to play a full part in promoting economic growth, employment and development. Effective participation of the developing countries, including the least developed, in a fair, rules-based international trading system was dependent on the successful conclusion of the Doha Development Round and the Sixth WTO Ministerial Conference in December 2005. For countries in his region an important outcome of the negotiations would be abolition of trade-distorting subsidies to agriculture, without a corresponding demand for reciprocal concessions.

53. The positive contribution of international migration to global development and the important nexus between development and international migration had been recognized. However, for many developing countries migration was synonymous with the loss of highly skilled labour and other problems. Measures designed to address those problems could serve as an input to the high-level dialogue on international migration and development scheduled for the sixty-first session.

54. In order to play the role carved out for it in the 2005 World Summit Outcome, the Economic and Social Council would have to be strengthened. In addition, an urgent effort must be made to enable the developing countries to broaden and strengthen their participation in the economic decision-making and norm-setting of the international financial institutions. A raft of measures was required to correct their underrepresentation in the Bretton Woods institutions, including the changing of quotas, capital shares and voting rights. A reformed global economic and financial architecture, if shaped by common consent, would enjoy legitimacy, relevance and effectiveness.

55. As recognized at the end of G-8 Gleneagles Summit, African leaders had a new vision for Africa's future. African economies were reaping the fruits of improved governance, greater transparency, accountability, anti-corruption strategies, and a commitment to African development. In Nigeria, steady growth of the agricultural, manufacturing and service sectors had been complemented by the newly launched National Economic Empowerment Development Strategy for tackling macroeconomic and structural problems, as well as promoting growth and poverty eradication. The strong political will in Africa to translate vision into reality required equally strong support from Africa's development partners.

56. **Mrs. Núñez de Odremán** (Bolivarian Republic of Venezuela) said that her Government's reservations concerning the treatment by the 2005 World Summit Outcome of development, poverty and financial and monetary inequities were well known. Two principles guided her Government's action: first, there was no single development model and, second, States had a sovereign right to determine their own development priorities and strategies. Those principles should always be reflected in the work of multilateral organizations and of the United Nations, in particular.

57. The convening of the International Conference on Financing for Development in 2002 had been a triumph for the South. However, three years later, the Monterrey Consensus had been exposed as a subtle trap, for it reflected an ideology undermine by weak commitments on ODA, reform of the international economic, monetary and trade system, and structural reforms as part of so-called national capacity-building. In Monterrey, compromises had also been made concerning the trade liberalization agenda, while economic and development-related issues had been closely tied to the political conduct of States. Developing countries were currently in a worse situation than they had been in 2002. While her Government understood that developing countries had accepted primary responsibility for their own development, that surely did not mean that the international community had renounced the principle of common but differentiated responsibilities reaffirmed at the World Summit on Sustainable Development also in 2002. Her Government respected the political and economic choices of other nations and hoped that its choices would be given the same respect. Moreover, her delegation would not shy away from expressing views which many other States shared but for various reasons could not express.

58. Turning to issues of particular interest to her delegation, she said that if States were really to be responsible for their own development, they must be given the latitude to determine their own strategies and plans and to implement a development model not in accord with the prevailing philosophy. In that context, the imposition of conditionalities threatened national sovereignty, independence and self-determination and would be categorically rejected by her delegation. The use of unilateral coercive measures against developing countries must also be rejected, as it was an infringement of the Charter and of international law. In that regard, her delegation would work to stop unilateral certification processes by which aid to developing countries would be tied to the attention they gave to matters of interest to the international community. The principle of common but differentiated responsibilities must be accorded the same status as other principles agreed at international summits and conferences and applied not only to sustainable development but also to economic development, climate change and monetary, financial and trade-related matters. Lastly, the Economic and Social Council must be strengthened to enable it to meet current challenges, and the existing power structure of the Bretton Woods institutions must be reformed to ensure that the problems of developing countries were addressed.

59. Regarding the impact of high oil prices on developing countries, she said that the world should not simply echo the views of developed countries, which sought to blame oil-producing countries for price increases. Her Government believed that a fair price must be paid for oil, as for any other strategic resource, and therefore called on States to take into account the adjustment for international inflation before expressing biased judgements. Other factors, such as reduced oil-refining capacity, market speculation and geopolitical turbulence, should also be added to the equation.

60. The Bolivarian Republic of Venezuela was also responsible for a number of energy cooperation initiatives, the most recent being the Petrocaribe agreement and energy alliances in South America. The country would contribute approximately 1.7 per cent of GDP to such initiatives over the next 10 years. Such a humble contribution stood in contrast to the ODA and development financing provided by the much wealthier developed countries, which, moreover, attached conditions to such assistance. Lastly, she called for particular consideration to be given to the transfer of energy technology and knowledge to developing countries, as that was an area with huge potential for North-South cooperation.

61. **Mr. Sardenberg** (Brazil) said that the main task for the sixtieth session of the General Assembly was to follow up the decisions made at the 2005 World Summit. While the Summit Outcome provided a blueprint, in many aspects it fell short of expectations and a broader development agenda therefore needed to be pursued. It was particularly important to look at financing for development and recognize the critical role of ODA. Brazil expected those developed countries that had not yet done so to increase their efforts regarding ODA targets and do more to enhance the quality of aid. His Government was also convinced of the need to explore innovative sources of financing for development, provided they supplemented ODA. In that regard, the Technical Group on Innovative Financing Mechanisms would continue to explore ways of generating additional resources.

62. Two ideas considered by the Technical Group were on the verge of fruition: first, the solidarity contribution on airline tickets would be adopted by France, Chile and possibly other Governments from January 2006, with his Government intending to implement the levy as soon as possible; second, the Technical Group intended to propose a resolution on facilitating and reducing the costs of migrant workers' remittances. Brazil was fully aware of the private nature of remittances. The purpose, therefore, was to facilitate the increase of net resources made available and stimulate the exchange of experiences regarding development projects anchored in remittances.

63. Brazil reiterated its commitment to South-South cooperation. During the current month, a Brazilian delegation would visit the Caribbean to discuss possibilities in areas such as health, transport, agriculture and biological fuels. Brazil welcomed efforts towards economic cooperation, particularly in the area of energy, such as those mentioned by the representative of the Bolivarian Republic of Venezuela. The Outcome's call on the international financial institutions to support South-South cooperation should be given further attention, as their involvement should provide a new paradigm for such cooperation, by improving predictability and enabling both its scope and impact to be expanded. Science and technology were the fastest and most direct route to development,

and in order to promote them on the required scale international financial support would be needed. More flexibility in international norms and regulations would reduce the technological gap and bridge the digital divide, both among and within countries. Brazil believed that South-South cooperation and science and technology deserved increased attention at the current session and emphasized that advances in that area would be instrumental in promoting timely achievement of the Millennium Development Goals.

64. Brazil welcomed the G-8 decision to cancel the debt of 18 HIPC countries, but believed that more support should also be given to middle- and low-income countries, including through debt reduction and debt cancellation. Brazil was particularly concerned about the volatility of capital and its negative impact on developing countries and the need for developing countries to have a stronger voice in international financial institutions. It was, however, encouraged by the recent statement in which the Managing Director of the International Monetary Fund (IMF) had acknowledged the need to increase the voting power for some emerging market economies and ensure adequate representation for Africa and had identified fair quotas and voice as a priority.

65. Recalling the assessment made by the WTO representative to the General Assembly's separate meeting on Financing for Development that the positive statements made by world leaders seemed not to reach their trade negotiators in Geneva, he said that Brazil regretted that the opportunity to send a strong message to the Hong Kong Ministerial Conference had been largely missed. The Summit Outcome's section on trade had been a deep disappointment for many delegations. Brazil would have preferred stronger language on the complete elimination of domestic and export subsidies, especially for agricultural products, and looked forward to a reaffirmation of the commitment effectively to address trade-distorting practices and measures, which had hindered development for decades. In areas such as education, employment, gender and the fight against HIV/AIDS and other pandemics, it would be of paramount importance to work closely with the United Nations agencies, programmes and funds. The special needs of the least developed countries, landlocked developing countries and small island developing countries must be addressed through the timely and effective implementation of the respective programmes of action. The special needs of Africa must also be given particular attention.

66. Noting that rural and agricultural development were essential to achieving the Millennium Development Goals, he said that Brazil was pleased to be hosting the International Conference on Agrarian Reform and Rural Development in March 2006. Sustainable development in its three pillars must be considered as an overriding concept in the discussions on every aspect of development. All nations stood to gain if that concept was enshrined in Committee deliberations. Lastly, Brazil reiterated its commitment to further developing international regimes on environmental issues.

67. **Mr. Husain** (Observer for the Organization of the Islamic Conference (OIC)) said that the assessment by the Under-Secretary-General for Economic and Social Affairs — namely, that, despite the decline in the global economy during 2005 and the uncertainty and risk surrounding future projections for growth, there had been some positive developments such as continued growth of international trade, relative calm in financial markets worldwide and considerable improvement in the terms of trade of several developing countries — triggered some cautionary thoughts, particularly if viewed from the standpoint of developing countries and countries with economies in transition. Many States members of OIC, and others, regretted the World Summit's failure to send a clear message on the importance of pursuing the development dimension of the Doha work programme to the upcoming WTO Ministerial Conference. He endorsed the call made by the Group of 77 for the suppression of export subsidies in developed countries, drew attention to the need to facilitate transfers of technology and know-how under more liberal intellectual property regimes, and reiterated the calls of successive OIC Summits and Ministerial Conferences for unilateral coercive measures against developing countries to be lifted. Lastly, recalling that after the tragic events of 11 September 2001 Governments had united to combat terrorism at the national, regional and global levels, he said that a concerted effort was currently needed in order to identify and remedy some of the root causes of the world's social and economic ills.

The meeting rose at 5.30 p.m.

United Nations A/C.2/60/SR.8

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Chairman: Mr. Wali ..... (Nigeria)
later: Mr. Hart (Vice-Chairman) ..... (Barbados)

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05-54133 (E)

The meeting was called to order at 10.10 a.m.

1. **The Chairman** expressed condolences to the Governments of Afghanistan, India and Pakistan, which had recently been struck by a powerful earthquake.

Statement by the Under-Secretary-General for Economic and Social Affairs

2. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) presented the *World Economic and Social Survey 2005: Financing for Development* (E/2005/51/Rev.1), which was part of the follow-up to the Monterrey Conference on Financing for Development.

3. With regard to mobilizing domestic resources for development, there was strong positive correlation between saving, investment and growth in the developing world. Deep and inclusive financial development should be ensured by means of a sound banking system and a strong domestic capital market, preferably in the national currency. Three elements were of key importance: long-term financing, scarce in developing countries; inclusive financing, aimed at enhancing access by the poor; and prudential regulation and supervision, whose effectiveness often required institutional reform.

4. With regard to the role of international trade as an engine for development, it was necessary to establish a "universal, rule-based, open, non-discriminatory and equitable multilateral trading system", as the Secretary-General and the recent World Summit had recently stressed in connection with the Doha Round. The pattern of specialization of developing countries was positively correlated with their economic growth and therefore critical. Many commodity-dependent economies, active on international markets that were not dynamic, faced particular challenges and non-oil commodity terms of trade were displaying a long-term downward trend, while developing countries focusing on technology products were increasing their market share, especially in high technology sectors. In terms of growth, developing countries exporting manufactured goods performed better than countries that were net commodity exporters, all of which, including oil exporters, needed new instruments to harness market volatility.

5. The promotion of stable sources of external financing was crucial. When international private capital flows proceeded from countries with abundant capital resources to countries lacking capital and helped smooth out external shocks, they could in fact stimulate development. Yet — save for foreign direct investment (FDI) that met those requirements — there was strong evidence that those two premises did not always apply. In the long term, private capital flows other than FDI tended to be highly pro-cyclical. After declining as a result of the Asian crisis, they had been recovering in the last several years and many developing countries had used much of that increase to build international reserves as a kind of self-insurance against crises. The net transfer of capital resources to developing countries had thereby turned negative and that flow of capital to the industrial world was increasing. It had exceeded $350 billion in 2004. Instruments to counteract the pro-cyclical performance of private capital flows by encouraging counter-cyclical flows included commodity- and GDP-linked bonds and, especially, local currency financing. International financial institutions should also proceed in a counter-cyclical manner. Attracting capital to low-income countries was a priority for the international community and should be pursued through appropriate policies, including the provision of adequate information to potential investors, the use of market instruments such as insurance and guarantee schemes and the introduction of a subsidy element in such schemes.

6. Official development assistance (ODA) was one of three areas covered by the *Survey* (the other two being multilateral development banks and innovative sources of financing). The Monterrey Conference had reversed — particularly in the case of least developed countries — the downward trend of ODA, which was currently rising and expected by 2010 to attain 0.36 of the GDP of industrial countries — approximately half of the 0.7 level target — generally referred to but most of that increase had consisted of debt relief, emergency aid and technical assistance and was channelled to a small number of specific countries. In real terms, the amount of ODA used to fund development projects in 2003 and 2004 had not differed significantly from the 1990 level. Increasing that ODA component was the main current challenge.

7. A major advance had been the approval of the Paris Declaration on Aid Effectiveness, which set out

five major principles: (a) ownership of development strategies by partner countries; (b) alignment of donor support with those strategies; (c) harmonization of donor action; (d) managing for results; and (e) mutual accountability of donors and partners. Accordingly, more aid should be channelled through State budgets and used according to national priorities. The international community should set a specific target for an amount of aid in that form and long-term commitments should be made to providing predictable aid flows to recipient countries.

8. Excessive flows of debt and a series of debt crises in the post-war period had resulted in debt overhangs that, in the 1970s and particularly in the 1980s, had been costly in terms of development. Progress during the preceding two and a half decades had been small, as debt levels had failed to decrease significantly. Three related initiatives should be noted: the HIPC Initiative, recently enhanced by the G-8, approved in that form by the Bretton Woods institutions and aimed at completing debt write-off; some Paris Club initiatives, particularly the Evian approach, which provided for effective one-time — instead of repeated — renegotiations on a case-by-case basis and had already been applied to the cases of Iraq and Nigeria; and, in respect of negotiations with private creditors, such measures as collective action clauses, bond issues and voluntary codes of conduct, although in those cases discussions on negation and arbitration mechanisms should continue. Lastly, it was necessary to accept the redefinition of debt sustainability, proposed by the Secretary-General in his report entitled "In larger freedom" (A/59/2005), as the level of debt that allowed a country to achieve the Millennium Development Goals and to reach 2015 without an increase in debt ratios.

9. With regard to systemic issues, there were two broad areas: vulnerabilities of the international financial system and problems related to institutional design. In the first area, the major issues were: global macroeconomic imbalances; growing concentration in the unregulated market segments worldwide and a concomitant reduction in the market's ability to cope with downward risk expectations, although admittedly the financial system had at the same time become more sophisticated and flexible with a view to ensuring better risk management; and pro-cyclical private financing patterns. In the second area, IMF should insist more on consistency among the macroeconomic policies of major countries, and there was need for greater ownership of economic policies by the developing countries. Facilities of a more automatic and low-conditionality character to manage capital account reversals, commodity shocks and other emergencies were necessary in view of the pro-cyclical flows and the shocks faced by developing countries; and the international community should further debate the use of special drawing rights as a temporary mechanism in the face of crises or, in relation to innovative sources of financing, as a mechanism for financing development projects. Furthermore, in respect of the voice and participation of developing countries in international financial decision-making, Asia and Africa were underrepresented in IMF and other institutions in view of their relative share in world output.

10. With regard to South-South cooperation, various types of initiatives were being undertaken in addition to technical cooperation, particularly through development banks totally owned by developing countries, Arab institutions, the Andean Development Corporation and the Asian Bond Markets Initiative. More broadly, South-South cooperation provided a basis for supporting developing countries during crises, for instance through the Latin American Reserve Fund, active for some time in the Andean region, and the more recent Chiang Mai Initiative of ASEAN+3. Furthermore, macroeconomic policy consultation and, in the future, coordination among developing countries on a regional basis were promising areas.

11. **Mr. Lorenzo** (Dominican Republic) said that, in view of the low level of savings and investment in developing countries, which constrained development, and of those countries' need for enhanced production capacity in addition to access to export markets, he would welcome information on whether the Under-Secretary-General considered the inadequacy of international financial flows as the main obstacle to economic growth and poverty eradication, and whether he shared the view recently expounded to the Committee by Professor Dani Rodrik, according to which the impact of reforms depended heavily on circumstances and a positive growth rate was the key challenge faced by developing countries. Moreover, an internationally agreed mechanism should be established to address the problem of heavily indebted middle-income countries that were not eligible under the HIPC Initiative. Lastly, in order to prevent future

financial crises, debt cancellation should be accompanied by economic, institutional and political reform.

12. **Mr. Kariuki** (United Kingdom) said that the European Union would make a full statement on issues related to financing for development under the agenda item on that issue. According to deliberations during the fifty-ninth session of the General Assembly, a negative net transfer of resources might not be a useful indicator with regard to development, because outward investment from some developing countries evidenced their integration into the world economy. In some cases, such flows could have a positive impact on the trade balance.

13. The effectiveness of ODA was linked to the way recipients used that aid. The OECD countries were strongly committed to aid effectiveness. The move towards budget support was not important for aid effectiveness. In fact, the provision of effective budget support and predictable assistance depended on the climate in which that aid would be used. Accountability to domestic taxpayers required the ability to demonstrate, not through some macroeconomic conditionality but through a degree of confidence in the development partnership, that aid would be used appropriately. In that sense, aid effectiveness was a two-sided concept.

14. A huge breakthrough had been made in 2005 with regard to cancellation of multilateral debt for HIPCs, and additional information on recent developments in that area would be welcome. However, not all HIPC debt should be forgiven, since in some cases, possibly including instances of bad governance, domestic circumstances did not warrant sufficient confidence regarding the use of those resources. The Secretary-General's definition of sustainability was problematic because it indirectly implied that a specific amount of resources should be released for attaining the Millennium Development Goals. Defining a sustainable level of debt was difficult in view of other available means of action, over and above debt forgiveness, such as trade, aid and private flows. Lastly, the question of voice and participation was not a straightforward issue of developing countries versus developed countries but was related to the distribution of representation among developing countries; correcting the Asian situation of insufficient voice based on the size of the continent's economy could have a negative impact on African representation.

15. **Ms. Mammadova** (Azerbaijan), referring to heterogeneity among developing countries in terms of development level, type of economic performance, size of economy and geographic location, said that her delegation would in future welcome analytical information based on such parameters and also, in particular, regarding the development challenges faced by mineral-exporting countries in view of their current development efforts, especially in relation to the transparent management of fiscal revenues.

16. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs), replying to the question from the representative of the Dominican Republic on whether capital flows were the major constraint on the growth of developing countries, said that the answer depended on the economic cycle and on the country. Although, generally speaking, sharp reduction in capital flows affected the growth prospects of developing countries, it was hard to say that capital flows were the major current constraint on development, especially in view of their increase in the last three years. Moreover, access to capital markets was uneven among developing countries and particularly restricted, even in periods of increasing private flows to developing countries, in the case of low-income countries and middle-income countries with a debt overhang. The cycle and access aspects of the issue were central to the Monterrey agenda. Lastly, some of the policy reform issues raised by Professor Rodrik would be addressed in the 2006 *Survey*.

17. With regard to the observations of the representative of the United Kingdom, outward investment for developing countries could indeed in some cases be a sign of integration into capital markets and not necessarily an adverse occurrence. However, net transfer of capital was a relevant measure of the extent to which developing countries and transition economies as a whole were net financial flow recipients. The current accumulation of international reserves for self-insurance purposes indicated a malfunction in the international financial system. Budget support was only one way of channelling ODA through the budgets of recipient countries; on other modality was support for some of their education, health and other programmes. Alignment meant an increasing use of the budget of the developing countries in providing ODA. That was the only system consistent with enhancing democracy, since budget approval was a major parliamentary function. Funds

not channelled through recipient country budgets were not approved by parliaments, thereby circumventing a fundamental democratic principle of public sector financing. The share of ODA actually transferred through budgets that was currently reported by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) was not particularly encouraging. The *Survey* did not cover debt cancellation initiatives discussed at meetings of the Bretton Woods institutions after its preparation. The Secretary-General's definition of debt sustainability made the significant point that debt should not be serviced at the expense of major development efforts undertaken under the international agenda with a view to attaining the Millennium Development Goals, as would happen if the countries concerned adopted highly contractionary policies. The point regarding voice and participation was well taken. The main issue was that over time the number of votes of developing countries had become excessively small.

18. The issue of the heterogeneity of transitional economies raised by the representative of Azerbaijan would be addressed in the report entitled *World Economic Situation and Prospects*, to be produced jointly with the United Nations Conference on Trade and Development (UNCTAD) in January 2006. The particular challenges of commodity-exporting countries in general, including mineral and agricultural product-exporting economies, and the related prospects and transparent management requirements would be addressed in the 2006 edition of the *Survey*.

19. *Mr. Hart (Barbados), Vice-Chairman, took the Chair.*

20. **Mr. Leglise-Costa** (France), noting the increasing differences between the situations of emerging countries that had a direct impact on global macroeconomic balances and those of very poor countries which were excluded from any form of participation, said that an overly prescriptive approach must be avoided. Effective alignment in accordance with national priorities should take into account such diversity. While the allocation of 25 per cent of ODA to budget support was a welcome development, budget support was not suited to all situations. Indeed, in some cases, it had serious adverse consequences. All programmes designed for developing countries needed to be aligned with national priorities without necessarily having to be in the form of budget support. In his delegation's view, more stable and predictable resources were needed for the financing of long-term projects, which was why a greater volume of good quality innovative sources of financing was critical to achieving the Millennium Development Goals. As far as debt was concerned, situations should be evaluated on a case-by-case basis. His delegation was against a generalized grant-based approach. While such an approach might be necessary in some cases for a specific period of time, in no case should that be allowed to ban an entire category of countries from access to a full range of instruments.

21. **Mr. Ocampo** (Under Secretary-General for Economic and Social Affairs) said that, despite the diversity of situations, there were issues, such as financing and commodity price cycles, that affected developing countries as a whole. Furthermore, developing countries could not borrow in their own currencies because world currencies were the currencies of industrial countries. That generated additional risks for developing countries, which should be addressed. On the issue of alignment, he noted that the current practice was for all lending by development banks, such as the World Bank, to be channelled through the budgets of recipient countries. It was only in the case of ODA that the practice was not fully followed. The amount of funds channelled through the budgets of recipient countries should be used as a basic indicator of alignment. He agreed with the French delegation on the importance of predictability and innovative sources of financing. Grant-based financing, in contrast to loans, could indeed affect sovereignty, although what was basically at stake was the amount of funds required by individual countries. While countries could borrow up to a certain proportion without incurring excessive debt, if a bigger volume of resources was required, there was no alternative to increasing grant financing. Poorer countries could not absorb 10, 15 or 20 per cent of GDP in any other form than grants. That was why the move towards grant-based financing was a significant achievement in the ODA debate.

Agenda item 50: Macroeconomic policy questions

(b) International financial system and development (A/60/163)

(c) External debt crisis and development (A/60/139)

22. **Ms. Orr** (Financing for Development Office, Department of Economic and Social Affairs) introduced the report of the Secretary-General on the international financial system and development (A/60/163).

23. Although developing countries as a group continued to experience a net outward transfer of resources, there was an increasingly widespread improvement in their net export balances as a result of increases in export volumes and prices. They had also registered a record increase in international reserves in 2004 resulting from higher trade surpluses and net private capital inflows. The reasons for the accumulation of international reserves included the decision by some Governments to stabilize the value of their currencies and the perceived need by countries for "self-insurance" to protect the domestic economy from international financial instability.

24. In strengthening the international financial system, increased attention had been given to national and international measures aimed at better preventing and managing financial crises. Multilateral surveillance remained at the centre of crisis prevention efforts and should focus on improving analytical tools for early identification of specific areas of country weakness.

25. With financial globalization, surveillance should focus on the stability of the global financial system as a whole. There was a clear need for greater international cooperation and coordination to ensure a smooth adjustment of global macroeconomic imbalances. That involved reinforcing the role of IMF in supporting the management of the world economy. It was necessary to provide larger margins of safety to deal with financial imbalances, which built up during cyclical upswings and downturns. Regional reserve funds could be a valuable complement to the IMF role. Indeed, greater attention in recent years to regional financial arrangements might reflect the slow pace of reform of the international financial system. On the issue of voice and participation in the Bretton Woods institutions, she noted that real changes in representation could be achieved only through political will to undertake fundamental reform. Moreover, the discussion of that issue needed to be extended to other international policymaking bodies.

26. **Ms. Tran-Nguyen** (United Nations Conference on Trade and Development (UNCTAD)), introducing the report on external debt crisis and development (A/60/139), said that increases in income, exports and reserves, together with a slower rise in total debt stocks in 2004, had been translated into lower debt-to-income and debt-service-to-export ratios for developing countries. The growth of gross national income (GNI) in developing countries had outpaced the growth in debt in 2004, improving total debt-to-income ratios for all developing countries to an estimated 35.2 per cent, down from 38.6 per cent in 2003.

27. However, many heavily indebted low- and middle-income countries continued to face unsustainable debt burdens, which hindered their growth and development and their efforts to attain the Millennium Development Goals. Indeed, there was increasing recognition that the heavily indebted poor countries, including those that had gone beyond the completion point, were falling short of the Goals and would not be likely to reach them by 2015 without substantial additional development assistance. In response to the Secretary-General's call for full debt cancellation to support those countries' efforts to reach the Goals, the Group of Eight (G-8) had agreed in July 2005 to cancel all the outstanding debt of the heavily indebted poor countries to the International Monetary Fund (IMF), the World Bank and the African Development Bank. While that initiative was welcome, there were many questions relating to its modalities.

28. Debt sustainability of the poorest countries was best secured if financial resources were provided in the form of grants and if donors consequently agreed to increase substantially grant-based ODA. In that regard, she welcomed the G-8 commitment to double annual aid to Africa and other proposals on innovative forms of development financing to generate additional sources of finance. In that regard, while the Evian approach was an improvement on the traditional terms applied to middle-income countries, it raised a number of questions.

29. Turning to debt restructuring with private creditors, she observed that there were considerable delays in some cases, leading to costly defaults and

worsened economic conditions. The risk of litigation had also increased, especially because of a lack of collective representation mechanisms, the presence of vulture investors or legal implications in bilateral investment treaties. However, those experiences had also shown that the economy recovered very quickly and countries truly exited from debt when debt restructuring gave enough breathing space and released resource constraints on development. The lessons learned pointed to the need to reach an international understanding on debt restructuring modalities which would bring together official and private creditors in a collaborative and constructive dialogue with a view to resolving debt problems in an expeditious and timely manner and equitably protecting the interests of debtors and creditors alike.

30. **Ms. Schmidt** (Director of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) delivered a statement on behalf of the Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

31. Despite the positive developments that had occurred during the past year, if the Millennium Development Goals were to be met, the debts of all the least developed countries must be fully written off without further delay. Even though net private inflows to developing countries had improved, the net resource outflows from those countries in 2004 had been negative for the second consecutive year. The recent agreement to cancel the debt of 18 heavily indebted countries, 13 of which were least developed countries, was very welcome. In the case of the countries of sub-Saharan Africa, total debt had declined 5.6 per cent in 2004, reducing those countries' debt-to-income ratio from 58 per cent in 2003 to 49.3 per cent in 2004. Unfortunately, that had been counterbalanced by an increase of approximately US$ 3 billion (26.6 per cent) in total long-term debt in 2004. A substantial part of the debt was owed to multilateral institutions. As 30 of the 38 countries currently eligible under the HIPC Initiative were least developed countries, it was clear that the external debt crisis had its severest impact on that most vulnerable group of countries.

32. As had been recognized at the 2005 World Summit, least developed countries deserved special attention, including ODA in accordance with the Brussels Programme of Action, which called for assistance on the order of 0.15 to 0.20 per cent of donors' gross national income. The current level of ODA still fell far short of the 0.20 per cent commitment. At the same time, least developed countries had made great strides to create an enabling environment, mobilize domestic resources and attract foreign direct investment (FDI). However, the increased volume of FDI flowing into the developing countries in 2004 had largely bypassed the least developed countries.

33. The Under-Secretary-General welcomed the call for enhancing the voice and participation of developing countries in international financial decision-making. With regard to the paucity of information about least developed countries in official reports, attention was drawn to Council resolution 2005/44, which requested the Secretary-General to include least developed country issues in all relevant reports in the economic, social and related fields, in particular those that analysed global development trends, in order to ensure the follow-up of their development in a broader context. In the future, as that request was fulfilled, data and analysis of financial flows and external debt should be provided specifically with respect to least developed countries. The commitment of the international community was clear: 100 per cent write-off of those countries' debts and substantial increases in ODA to ensure that they would be able to achieve the Millennium Development Goals and the goals of the Brussels Programme of Action.

34. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, pointed to encouraging initiatives in recent months such as the endorsement by the Development Committee of the World Bank and IMF of the G-8 decision to cancel the debt of 18 heavily indebted poor countries and the adoption of the 2005 World Summit Outcome. Nevertheless, consideration should be given to additional debt relief measures involving other multilateral institutions.

35. With reference to agenda item 50 (b), many developing countries, including some which had reached the completion point under the HIPC Initiative, continued to face large, unsustainable debt burdens. Their economic vulnerability continued to increase, whether because of adjustments to global imbalances or economic dislocations due to natural disasters or situations of conflict, with the result that it was even more difficult to achieve the Millennium

Development Goals. Debt sustainability should be linked to a country's capacity to achieve its national development goals, including the Millennium Development Goals, in view of the need to link debt policy more closely with growth and development, to recognize the country-specific character of sustainability, to apply greater case-by-case flexibility in the setting and implementation of thresholds and to consider debt scenarios in the face of possible external shocks.

36. The efforts of developing countries to maintain debt sustainability would be greatly facilitated by improved market access for their exports. Special measures were required for countries affected by exogenous shocks or by natural disasters. Countries in or emerging from situations of conflict also required specific mechanisms to ease their debt burdens. Creditors and debtors should share the responsibility to prevent and resolve unsustainable debt situations. Long-term sustainability of debt would require additional resources to finance investment. Debt relief could play a role in liberating resources, but should not replace other sources of financing. Accordingly, the Group of 77 and China supported the Secretary-General's recommendation in favour of substantially increased grant-based ODA in keeping with efforts to ensure debt sustainability for the poorest countries. There were also low- and middle-income developing countries outside the scope of the HIPC Initiative, for which debt relief, including debt cancellation, would be necessary if they were to achieve their development goals.

37. With reference to agenda item 50 (c), he noted that since 1997, the expected global pattern of financial flows had been reversed, as resources were transferred from developing to developed countries. Multilateral financial institutions had become net recipients of financial resources from developing countries, as loan repayments had started to outstrip loan disbursements. That trend pointed to the need for change in international financial systems, to improve the allocation of resources to support development. The policy and structural reform conditionalities of the World Bank and IMF served to undermine natural ownership of programmes and hinder implementation. The Fund had recognized that difficulty to some degree, and had adopted new guidelines in 2002 that eased the problem. The expanding use of conditionalities by the World Bank, however, was worrying. Measures were still needed urgently to mitigate the impact of excessively volatile short-term capital flows and to improve the transparency of and information about financial capital flows, and consequently international financial institutions had to deploy a suitable array of financial facilities and resources to respond to such financial crises. One weakness of the current system was the inadequate surveillance, particularly by IMF, of the economies of major industrialized countries. The role of IMF should be developed further in that respect.

38. Sound domestic policies at the national level should be complemented at the international level by effective global governance. Voice and effective participation were central to promoting the legitimacy, relevance and effectiveness of the international financial system, and of international financial institutions. The time was long overdue for action and genuine reform. Developing countries must have a voice in global macroeconomic policymaking, and the Council should play an integral role in that process.

39. **Mr. Jenie** (Indonesia), speaking on behalf of ASEAN member countries, said that the development capacity of developing countries was being undermined as net transfers of financial resources were flowing to developed countries rather than to developing countries. Although the purpose of the international financial system was to enhance efficiency and stability in financial markets and promote global economic activity, the objective of improving the living standards of the poor could not be relegated to a secondary level of priority. The international financial architecture had to be sufficiently flexible to accommodate different levels of economic development in different regions. Specifically, developing countries should have a greater voice in international economic decision-making and norm-setting.

40. ASEAN was looking forward to more concrete measures pursuant to the communiqué issued by the International Monetary and Financial Committee of the International Monetary Fund on 24 September 2005. It was taking its own steps to offset the negative financial flows in the region, such as the Asian Bond Market Initiative launched in 2002, the ASEAN Roadmap for financial integration, the Initiative for ASEAN Integration and the network of bilateral swap arrangements under the Chiang Mai Initiative to provide short-term liquidity support when needed.

Regional approaches, however, were not a substitute for multilateral action.

41. Momentum should not be lost in finding a comprehensive, lasting and development-oriented solution to the debt problem. Debt servicing was one of the biggest drains on the resources of a developing country, and there was a risk that it would be handed down to successive generations. If less were spent on paying interest to developed countries, more could be spent on better infrastructure, education and health, to the benefit of the poor.

42. The G-8 proposal for 100 per cent debt cancellation for eligible heavily indebted poor countries was a step in the right direction, but debt was a problem for middle-income countries as well. Innovative debt schemes could provide countries faced with staggering debt servicing obligations with adequate resources for specific development projects identified in their national development plans. A number of proposed innovative mechanisms relating to debt relief deserved serious consideration, such as the debt-swap mechanism and debt-for-equity arrangements in connection with the Millennium Development Goals.

43. **Mr. Sen** (India) said that poverty and internal conflicts were not simply the legacy of the colonial past or the result of current poor governance, but were the outgrowth of liberalization and the policies of international economic institutions. The imperatives of liberalization and the attraction of foreign capital were inevitably accompanied by risks: low tax-to-GDP ratios reinforced by IMF-style structural adjustment reduced investment in social infrastructure, especially health and education. In some regions, such policies also had a negative impact on rural infrastructure and food security, as evidenced in sub-Saharan Africa. Growth by itself was not enough; "trickle-down economics" seldom happened. As a consequence, direct national action in the areas of health, education and job creation were critical for any successful anti-poverty policy.

44. The Secretary-General had stated that lack of real national ownership was the most important obstacle to effective programme implementation, and one could add that, by implication, it was the most important obstacle to development. Regimes that eroded the autonomy of policy-setting needed to be reformed and checked. Unfortunately, the revised conditionality guidelines of the IMF Board of Governors had not really reduced or streamlined conditionalities. Although it was a cooperative institution, the Fund did not charge interest rates lower than market rates. The Fund and the Bank had strayed far from one of their original purposes, namely, Keynesian demand management to maintain high levels of employment. The Bretton Woods institutions had the power but no longer had the mandate. The Council had the mandate but not the power.

45. There was no alternative to a far-reaching reform of the Bretton Woods institutions, including an overhaul of the Fund's Articles of Agreement. The World Summit Outcome rightly called for increasing the voice and participation of developing countries in the Bretton Woods institutions. Even before tackling the central structural issue of voting power, it should be possible to enhance the voice of developing countries by making the Fund's internal management process more equitable and transparent. Particular attention should be paid to suggestions put forward in the Secretary-General's report, such as, in the short term, liberalizing conditionality and introducing a subsidy element for low-income countries in the Compensatory Financing Facility and, in the longer term, calculating quotas using purchasing-power-parity measures of gross national income.

46. The commitments announced by some donor countries to increase ODA were welcome, but a larger agenda for crisis prevention remained unaddressed. Effective surveillance to promote stability, by enhancing countries' resilience to economic shocks, was the key to crisis prevention. As the Secretary-General had rightly observed, the Fund's ability to influence policies through surveillance was more limited in the case of developed countries: accordingly, the effectiveness and even-handedness of its surveillance across its membership needed to be improved.

47. The G-8 proposal for cancelling the debt of heavily indebted poor countries was welcome, and had generated high expectations. Key points of the initiative needed to be clarified in regard to the additionality of resources, the possible inclusion of additional beneficiary countries and policy conditionalities such as privatization and trade liberalization, which in some cases had been detrimental to development. It was important to ensure that the financial integrity of the International

Development Association (IDA) would not in any way be impaired. It was critical to have binding commitments beyond the IDA-14 replenishment period, and a participatory process to develop mechanisms to monitor and prevent recurring cycles of indebtedness. The Development Committee was rightly concerned with the need for donor countries to guarantee financing to compensate IDA fully for forgone reflows resulting from debt relief.

48. The financial integrity of international financial institutions had to be preserved in the larger interest of the global development agenda. Replenishing the reserve account and subsidy account of the Poverty Reduction and Growth Facility (PRGF) was essential for sustaining concessional lending operations.

49. **Mr. Aboutahir** (Morocco) said it was satisfying to learn that, in 2004, gross national income had increased in almost all developing countries and that the short-term outlook was optimistic. Unfortunately, for the countries of sub-Saharan Africa, even an increase of almost 5 per cent in gross domestic product was insufficient to ensure they could meet their Millennium Development Goals. The Goals could not be attained unless the international community took urgent, collective and concerted action. In a very volatile financial system, developing countries continued to be net exporters of capital, at a time when they needed that capital to develop capabilities and spur growth.

50. Morocco welcomed the announcement that the member countries of both the Organization for Economic Cooperation and Development (OECD) and the European Union would increase the level of their assistance; also, the World Bank's Africa Action Plan would support the efforts of the African countries to accelerate growth, eradicate poverty and attain the Goals. In keeping with their Monterrey commitments, the developed countries had a leading role to play in supporting actions that benefited the countries of Africa and his delegation commended the initiative of the Group of Eight countries to double the assistance destined for Africa by 2010. That would increase the global volume of aid, which represented only 0.25 per cent of donor countries' GNP, far from the goal of 0.7 per cent that the international community had set for itself. Moreover, assistance had been granted in the form of debt relief rather than as new financial resources to implement development programmes.

51. Improved national policies and increased ODA should be accompanied by farsighted measures in the area of international trade, including market access for the products and services of developing countries to support the growth required to achieve the Goals. The necessary liberalization and fairness in international trade could be achieved only by eliminating non-tariff and tariff barriers to exports from developing countries, particularly agricultural products, as well as agricultural subsidies. Likewise, the effective participation of developing countries in international economic decision-making and in norm-setting was extremely important both for those countries, and for the legitimacy, utility and effectiveness of the international financial institutions.

52. With regard to debt relief, it was important to ensure that the development needs of the heavily indebted poor countries did not create fresh debt burdens. Morocco applauded the G-8 initiative to cancel 100 per cent of the debt of the heavily indebted poor countries. It hoped that the resources committed by donors to finance debt relief were additional to the resources allocated to ODA and urged the donor community to find solutions to the debt problems of other low-income and middle-income developing countries that had serious problems in meeting their debt-servicing obligations.

53. **Mr. Chowdhury** (Bangladesh) said the world was witnessing both unprecedented prosperity and extreme poverty. Net outflows of financial resources were paradoxically in favour of developed countries but developing countries were forced to disburse huge amounts in debt repayment that could otherwise have been used for urgently needed social spending. Debt sustainability should be redefined as the level of debt consistent with achieving the Millennium Development Goals without creating new debt obligations.

54. Bangladesh welcomed the proposed cancellation of 100 per cent of the debt of some heavily indebted poor countries by the G-8, as well as the recent efforts to include more countries in that category. The proposal should be extended to all the least developed countries and the bilateral and multilateral loans of that group should be written off immediately. That would release the capital required for investment in priority sectors to attain the Millennium Goals and other development goals. The World Bank group should increase its efforts to support achievement of the Goals through enhanced delivery of aid commitments and

improved harmonization among development partners. For the poorer countries, IDA should shift to an all-grants facility and developing countries should be provided with increased policy space. Developing countries were seriously underrepresented in the Bretton Woods institutions; a new quota formula was required that more accurately reflected the legitimate voices of the developing countries. They also needed to be more adequately represented at staff and senior management levels in the international financial institutions.

55. Since the 2002 Monterrey Conference, there had been renewed focus on aid effectiveness and the Paris Declaration on Aid Effectiveness provided a framework to ensure the quality of aid. However, the appropriate use of aid could be a problem for countries with weak institutions and bad governance and Bangladesh had made its own commitment to improve governance. It had adopted a new approach to enhance the effectiveness of foreign aid utilization in consultation with its development partners aimed at bringing coherence to their policies, practices and procedures for channelling aid.

56. **Mr. Nijhar** (Malaysia) said that, following the 1990s financial crisis, the Asian region had made significant progress in strengthening the underlying economic structures of the region's financial system. In addition to promoting domestic growth, the Asian economies had also increased regional economic and financial cooperation and further liberalized the economic and financial sectors, thus increasing the potential for the Asian economies to contribute to global growth and stability.

57. Malaysia had registered steady growth in recent years, driven mainly by the private sector. New areas of comparative advantage continued to be explored, which had contributed to a well-diversified economic structure and increased the economy's resilience to external factors. The financial sector had also been significantly transformed with the restructuring of the banking sector. A comprehensive and robust financial system based on Islamic Shariah principles now operated in parallel with the conventional domestic financial system, which had been deregulated and liberalized. In July 2005, the national currency had been unpegged, which had placed the country in a better position to respond to structural changes in the global and regional environment. Nevertheless, the measures taken to strengthen domestic financial systems were insufficient to ensure international financial stability; thus international efforts to ensure such stability across the board had to be integrated and further strengthened.

58. Developing countries remained highly vulnerable to the increasingly challenging and competitive global financial environment. The prevailing imbalances compounded by high oil prices also had negative consequences for their fragile economies, which were highly susceptible to the volatility of external financial flows. More needed to be done to reform the international financial architecture, particularly of the Bretton Woods institutions, to take into account the perspective of emerging and developing economies. The Monterrey Consensus had stressed the need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting, and to ensure them adequate representation in the institutions, consistent with their relative positions in the world economy. The International Monetary Fund, as the institution for global monetary cooperation, should be the forum for collective action.

59. **Ms. Bai** Yongjie (China) said that the uncertainty of geopolitics, rising oil prices and the outflow of international capital to the developed countries posed new challenges to international economic development. The economic structure and capacity of developing countries to confront risks was still very weak and they had inadequate voice and representation in the international financial institutions, which needed to be reformed as they no longer met current needs. Likewise, the decision-making mechanisms of those institutions should be improved. The developed countries should increase coordination to ensure the relative stability of the exchange rates of the three main currencies, while the World Bank and the International Monetary Fund needed to strengthen their monitoring of the policies of the major industrialized countries issuing reserve currencies. In the area of capital markets, the impact on the stability of evolving financial institutions and instruments should be examined. Rules should be strengthened on the regulation of large financial corporations and coordination of international financial monitoring should be enhanced.

60. Financing and the resulting debt posed the key challenge for economic growth and sustainable development in developing countries. Solving their

debt problem had become an important precondition for helping them to eradicate poverty and achieve economic development. The problem had historical and political roots and could be attributed to the unfair international economic order. The developed countries, as the main creditors, should honour the commitments made in the Monterrey Consensus and the Outcome of the 2005 World Summit concerning ODA, and the new global monitoring mechanism should supervise implementation. Relevant international and regional organizations should continue to help developing countries and countries with economies in transition strengthen capacity-building, infrastructure and other priority areas, while multilateral institutions should tailor reform and development programmes to national circumstances, instead of imposing the developed countries' model.

61. The Chinese Government had always attached great importance to the debt problems of developing countries and had recently contributed to South-South cooperation by providing debt relief to all the heavily indebted poor countries that had diplomatic relations with China.

62. **Mr. Ndjonkou** (International Labour Organization (ILO)) said that, although the information contained in the report of the Secretary-General on the international financial system and development (A/60/163) seemed to give evidence of positive economic trends, the World Employment Report of ILO pointed to serious challenges. In 2004, despite a fairly robust rate of growth of 5 per cent, global employment had expanded by only 1.7 per cent. There was a high incidence of jobless growth which was not politically, socially or economically sustainable, so that employment needed to be viewed as an integral part of the goals of macroeconomic policy.

63. There was a global "jobs crisis" which demanded a global response, yet with specific attention focused at the national level. Decent work was central to efforts to reduce poverty and achieve equitable, inclusive and sustainable development. Consequently, all major policies, particularly macroeconomic, investment and social policies, had to incorporate employment generation and enterprise creation as a central national development objective.

64. Structural problems must be addressed, and employment growth must be generated from increased investment and output growth, taking advantage of the enormous job-creating potential of small enterprises.

65. South-South cooperation promoted development through the mobilization and sharing of existing resources and expertise. It created an enabling environment to build stronger linkages with the local economy, and helped to address labour abuse. By working together, countries could escape the trap of low productivity, low quality, low wages, low development return and adverse external conditionalities.

66. **Mr. Mushy** (United Republic of Tanzania) said that, while there had been a substantial increase in assistance to developing countries, net outflow for debt servicing now outpaced loan disbursement. In that situation, aid effectiveness should apply to both developed and developing countries. Also, the issue of the developing countries' voice and participation in decision-making and norm-setting in the international financial and trade institutions remained unresolved. It was regrettable that the Outcome of the 2005 World Summit lacked specific, actionable proposals to address the issue. Action was needed to address the deficiency and make multilateral institutions more effective, inclusive, transparent and representative. His delegation urged the Committee to adopt a resolution that would change rhetoric to action.

67. Debt repayment by developing countries had siphoned off essential resources that could have been used to eradicate poverty and achieve the Millennium Goals and other development goals. In that context, recent debt relief commitments by the Group of Eight for some heavily indebted poor countries were to be applauded. However, concern remained about the debts of those countries to other bilateral and multilateral creditors. His country had recently been assured of debt relief amounting to US$ 2 billion in net present value terms and, while that had had a positive and visible impact on the health and education sectors, it had been insufficient to sustain the economic growth needed to achieve the Goals. Even with the current relief, his country continued to carry a significant debt burden that risked undermining the potential benefits.

68. **Ms. Nieto** (Ecuador) said that poverty eradication continued to be the goal of most members of the United Nations. However, at times, countries had to postpone achievement of their development needs, in order to comply with their international debt

obligations. The problem required viable, long-term solutions and, in the case of middle-income countries, might involve a commitment by creditors to exchange the debt for development projects.

69. Public investment in development was a necessity; however, the debt burden was often an obstacle to the relevant policies. To attain the Millennium Development Goals by 2015, the terms for renegotiating the external debt should be made more flexible, taking into consideration the specific circumstances and needs of each country. Current procedures for renegotiating the debt should also be clarified to avoid additional costs. Debt sustainability was essential: the capacity of a country to make the necessary investments to satisfy social needs, without increasing its debt ratio. For instance, many countries suffered natural disasters of a cyclical nature that affected their people and economies; it was essential to envisage funds or mechanisms to alleviate such crises that did not affect the existing debt. The Outcome of the 2005 World Summit had recommended the relief or restructuring of a large part of the debt of middle-income countries, as well as mechanisms to solve all the debt problems of such countries. Ecuador had benefited from mechanisms that provided partial relief by exchanging debt for social projects. It urged more creditors to use such mechanisms, bearing in mind development priorities.

The meeting rose at 1.20 p.m.

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Chairman: Mr. Hart (Vice-Chairman) ..... (Barbados)

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05-54296 (E)

In the absence of Mr. Wali (Nigeria), Mr. Hart (Barbados), Vice-Chairman, took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 50: Macroeconomic policy questions (*continued*)

(b) International financial system and development (*continued*) (A/60/163)

(c) External debt crisis and development (*continued*) (A/60/139)

1. **Mr. Belkas** (Algeria) said that the international financial system was called upon to promote sustainable development, sustained financial growth and poverty eradication. It should allow all sources of development financing to be mobilized coherently and contribute to the implementation of an open, fair, regulated, non-discriminatory trading system.

2. His delegation was concerned about the increase in net transfers of financial resources from the developing countries to the developed countries, principally to service their growing external debt, but also to accumulate international exchange reserves to offset international financial instability. Despite increases in financial assistance to developing countries, FDI and ODA were still well below commitments. The international financial system needed to be reformed to deal with cyclical crises; a multilateral monitoring system should be established to ensure the stability of the whole system and, in particular, the coherence of the economic policies of the wealthiest countries. The Monterrey Consensus emphasized the need to expand and strengthen the participation of developing and transition economies in international economic decision-making and norm-setting. In that respect, the participation of developing countries in the Basel Committee could only result in a fairer system.

3. Despite a noteworthy improvement in the global economy in 2004, particularly owing to the results from the developing countries, many of them continued to suffer from heavy debt burdens. The United Nations, the Bretton Woods institutions and the private sector should implement their commitments to relieve or cancel the debt of the Heavily Indebted Poor Countries. In that respect, the Group of Eight's decision to cancel 100 per cent of the debt of 18 of the poorest countries in that group was very welcome. Algeria urged the international community as a whole to consider the middle-income countries and to find a viable solution to the heavy burden of debt that prevented their development and economic structural reform efforts. In the absence of draconian measures in the area of debt cancellation and an increase in ODA, there was a risk that the Heavily Indebted Poor Countries and the Least Developed Countries would be unable to achieve the Millennium Development Goals. The issue of long-term sustainable debt depended on various factors, including the growth and export perspectives of debtor countries. Supplementary investment financing resources and increased market access could promote a solution.

4. **Mr. Kapoma** (Zambia) said that the issue of external debt remained a grave concern to developing countries, particularly the least developed countries. Despite the high economic growth of developing countries in 2004, as shown by the economic indicators, individual countries continued to face large, unsustainable debt burdens.

5. Zambia was one of the countries that had reached the HIPC Initiative completion point and welcomed the proposal of the Group of Eight to cancel 100 per cent of the outstanding debt of 18 of the countries concerned; it appealed to other donors to make a similar gesture. Nevertheless, it was essential that additional funding be made available to those countries. Zambia therefore called on the international community to honour its agreed target of allocating 0.7 per cent of GDP for ODA. It commended the European Union for establishing a time frame for achieving that target and urged other developed countries to do the same.

6. **Mr. Amolo** (Kenya) said that the rules governing debt servicing and repayment must recognize the special needs and conditions of developing countries. The Millennium Development Goals had identified "quick win" areas that required additional resources in order to change the current inequality in the world, including agriculture and food production, education, health and infrastructure. The international financial institutions should give priority to those areas when allocating resources and due recognition should be given to the most deserving developing countries. Since 2000, Kenya had aligned its annual resource allocation with specific sectoral needs, emphasizing the critical sectors highlighted by the Goals.

7. The limited influence of developing countries in decision-making and norm-setting, particularly within the Bretton Woods institutions, made them vulnerable to the whims of developed countries and international financial institutions. The international financial system needed to be reformed in order to reverse the current trend of net resource flows towards developed countries; to strengthen the international financial architecture; to enhance surveillance of national and multilateral financial policies; and to increase South-South cooperation in the international monetary system.

8. The global economy had shown strong growth in 2004, with developing countries experiencing the highest growth rates in over 30 years. That had led to an improvement in several debt indicators, especially for developing countries and, in particular, sub-Saharan Africa; however, that achievement was seriously compromised by the continued increase in net financial resource transfers owing to loan repayments. The debt problem faced by many developing countries continued to severely constrain their ability to accelerate economic development and achieve the Millennium Development Goals.

9. Kenya had not qualified for debt relief under the Group of Eight proposal; according to a report of the International Monetary Fund, the country's debt was sustainable. However, debt sustainability should be linked to a country's capacity to achieve its national development goals. Consequently, Kenya called for cancellation of its debt, so that resources used to service the debt could be redirected to implementing development goals.

10. While the extension of the sunset clause of the HIPC Initiative was welcome, the programme was being implemented too slowly and the eligibility criteria were too rigid; of 38 countries eligible for debt relief under the Initiative, only 18 had reached the completion point, with only one year remaining. Development partners should consider various existing conditions and challenges that might prevent recipient countries from addressing the required policies adequately. Relaxing the conditionalities and adopting realistic debt sustainability criteria would enable more developing countries to qualify for the Initiative. Lastly Kenya fully endorsed the call for cancellation of 100 per cent of the debt of all heavily indebted poor countries and all poor countries not in that group, thereby releasing the required resources to attain the Millennium Goals and other development goals.

11. **Mr. Elmerjerbi** (Libyan Arab Jamahiriya) said that the continuing increase in net resource outflows from developing countries should be reversed in order to provide those countries, as well as countries with economies in transition, with the resources which they urgently needed to fund development projects and carry out the structural reforms that would enhance their economies and the ability to compete on the global market. To that end, measures should be sought, inter alia, to improve the efficiency of the international financial system, enhance the allocation of resources to support development, address the main causes of financial instability in developing countries, improve their risk management and remove the conditionality of lending facilities. In that connection, it was important to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting, as well as the role of South-South cooperation in the international monetary system. The Millennium Development Goals would be achieved only by comprehensively tackling the external debts of the developing countries, taking into account the circumstances of each one and the effect of external shocks. It was also imperative to find a solution to the debt problem of low- and middle-income countries that did not qualify for the HIPC Initiative.

12. **Mr. Adewui** (Togo) said that most of the South countries had developed credible national strategies to address their development problems, and had endeavoured to resolve the transparency and ownership issues that from time to time prevented them from achieving results in line with the sacrifices made. Despite such efforts, their performance fell substantially short of what was needed to achieve the Millennium Development Goals, particularly in eliminating poverty and hunger. The situation was largely attributable to development financing problems and the debt issue.

13. In regard to development financing, Governments were trying to improve the mobilization of internal resources and allocate more spending to high-priority areas. For some countries, aid conditionality was a growing problem. Development partners did not sufficiently appreciate the internal difficulties that certain countries faced, and that was Togo's situation. Accused of having a democratic deficit, Togo had been

deprived of external financial assistance for more than 10 years. Even though Togo had made remarkable strides during those years in the area of human rights, the country's external partners continued to delay resuming cooperation activities.

14. Most countries, because of their debt servicing burden, were not able to make the necessary investments to boost growth efficiently to make a significant impact on poverty reduction. Fortunately, the international community had recently been focusing greater attention on Africa. The G-8 decision to cancel the debt of 18 developing countries, 14 of them in Africa, was welcome and demonstrated the determination of the most highly industrialized countries to find a deeper solution to the issue of developing countries' external debt.

15. All least developed countries should benefit from the same treatment within a reasonable period of time, since the end of 2006 was the deadline for meeting the criteria that would permit them to be considered for debt relief under the HIPC Initiative. The issue should therefore be examined seriously so that resolutions might be adopted during the current session of the General Assembly, to enable the countries concerned not only to benefit from the HIPC Initiative but also from debt cancellation. Moreover, middle-income developing countries should not be left out, lest their situation worsen and more of their people be thrust into poverty. In some poor countries, domestic debt was growing, eroding the prospects for economic growth and impoverishing segments of the middle class.

16. **Ms. Hijazi** (Jordan) said that higher economic growth alone would not resolve the debt crisis; global mechanisms and initiatives were also needed, particularly since economic growth could be adversely affected by external shocks and was not therefore guaranteed. She welcomed the decision of the Group of Eight concerning debt cancellation for heavily indebted poor countries which were unlikely to reach the Millennium Development Goals by 2015 without substantial development assistance.

17. Jordan's various debt crises had been triggered in the 1980s by the collapse of the global oil market and in the 1990s by the loss of remittances from Jordanian expatriates, whose sudden return home following the Iraqi invasion of Kuwait had also created an additional burden on the economy. Although Jordan had worked with international institutions to extricate itself from those difficulties, it still had a developing economy that remained vulnerable to global or regional crises. Moreover, it also still had a crippling external debt-to-GDP ratio of 84.6 per cent. The HIPC Initiative was welcome, but more attention should be devoted to lower middle-income countries, inhabited by over one quarter of the world's population.

18. **Mr. Baja** (Philippines) said that poverty could not be eradicated if the net transfer of international financial resources flowed to developed countries, especially in the face of rising oil and energy prices. To reduce poverty, the international community should organize deeper, wider and faster debt relief to low- and middle-income countries. Successful growth strategies required policy experimentation and a willingness to try unconventional solutions.

19. The Philippines was proposing the debt-for-equity programme, providing lenders with an opportunity to become shareholders. Under the programme, creditors — rich countries such as the G-8, multilateral financial institutions such as the World Bank, IMF and the Asian Development Bank, and large commercial banks — would plough back into debtor economies 50 per cent of an agreed portion of debt servicing payments. Those resources would be used to fund development projects — in such areas as reforestation, housing construction, hospitals, safe water systems and other infrastructure, or microfinancing — that could propel sustainable economic growth and development. That investment would translate into job creation, generate full-scale economic activities that would help achieve development goals and thereby constitute a major complement to the G-8 debt cancellation agreement. The proposed system involved no debt forgiveness or moratorium, required no new financial contributions from the rich countries, implied no devaluation of creditor claims, provided for voluntary participation by creditors, allowed them to choose which development projects to support and ensured that their equity, backed by tangible assets, would be negotiable and have an earnings potential. The Philippines and other debtor countries were prepared to propose specific projects to be financed under the programme.

20. Political will would be required on the part of developed and developing countries. The Secretary-General had encouraged the Philippines to share the idea widely. An expert committee to evaluate the proposal would be set up by the Chairman of the Paris

Club, and in that context the heads of the Italian and German Governments and senior officials of the United Kingdom Treasury on the International Poverty Reduction Team had promised to examine the merits of the scheme. The Asian Development Bank was prepared to cooperate in implementing the programme.

21. **Mr. Kondakov** (Russian Federation) noted that positive trends regarding the debt issue had been due to acceleration of economic growth in developing countries as a result of an increase in their exports of goods and services, and should continue. The forthcoming Sixth WTO Ministerial Conference in Hong Kong should play a pivotal role in ensuring the success of the Doha Round and the attainment of the Millennium Development Goals.

22. Debt relief under the relevant IMF and World Bank initiatives could be a key source of financing for development. The decision on full cancellation of the debt of the poorest countries of Africa to the international financial institutions was crucial. Together with its G-8 partners, the Russian Federation provided various types of assistance to heavily indebted poor countries and took their interests into consideration in its international activities. As one of the leaders in terms of debt cancellation, the Russian Federation would in 2005 write off, on a bilateral basis under the HIPC Initiative, $2.2 billion in outstanding debt liabilities of the poorest African countries.

23. Although, raising ODA was a significant objective, aid quality, effectiveness and predictability were as important as quantity. Moreover, recourse to innovative sources of voluntary long-term financing for development was in keeping with the spirit and letter of the Monterrey Consensus. The initiatives proposed by various States in that area broadened the range of options that the international community could examine.

24. However, in respect of the introduction of international taxation, including the proposed tax on air tickets, it was premature to make any specific commitment unless a broad consensus was reached and the parliaments of the countries concerned approved the various schemes. Pilot projects launched or planned in that area could help clarify some methodological issues, particularly regarding fund collection, use and auditing. Moreover, implementation of the International Finance Facility would be incompatible with the budget legislation of many donor countries, including the Russian Federation. Furthermore, separating the attainment of the Millennium Development Goals from the stimulation of economic growth and automatically linking the allocation of additional resources to the main assistance targets could lead to less effective distribution of funds.

25. International efforts, inter alia at G-8 level, to reduce the costs of migrant remittances in order to enhance their stimulating impact on development, especially in the poorest countries, were a way of supporting the developing economies while combating money-laundering and terrorism financing. Russian regulations concerning remittances were liberal and efforts were under way to further decrease charges and facilitate procedures. Official remittances abroad by foreigners working in Russia had doubled in the first half of 2005 compared to the same period in 2004.

26. Ensuring the stability of the international financial system was the key to sustainable development. Priorities in that area included preventing financial crises, strengthening the national financing and banking sectors, improving their regulatory and supervisory systems and adjusting the pace of liberalization of financial markets to the specific economic and institutional conditions of each country. Effective functioning of those sectors was crucial to mobilizing domestic resources for economic development. The United Nations should further encourage common approaches to reinforcing the international financial system, in particular by promoting dialogue among the Economic and Social Council, the Bretton Woods institutions, the World Trade Organization, regional financial institutions, regional United Nations commissions and private sectors.

27. **Mr. Chidyausiku** (Zimbabwe) said that the most difficult challenge confronting developing countries was the management of external debt, and yet most of the initiatives of the 1980s and 1990s did not address the type of debt prevalent in Africa. Although the HIPC Initiative was important, much more comprehensive debt relief was required if developing countries were to be provided with new opportunities to accelerate their development. Because a number of poor countries were ineligible for the HIPC Initiative, many developing countries, particularly in Africa, were less able to achieve sustained growth. The Initiative continued to be the policy framework for channelling the debt crisis, but it had proved ineffective in reducing

the unsustainable debt levels of the highly indebted countries. High indebtedness reduced the capacity of countries to attract investment, whether foreign or domestic, which resulted in limited economic growth and public investment, and thereby reduced expenditure on poverty-reduction programmes. Goal 1 of the Millennium Development Goals — to eradicate extreme poverty and hunger — was therefore compromised.

28. The solution to the debt crisis was debt cancellation, to break the vicious cycle in which many developing countries were trapped. The G-8 announcement of 100 per cent debt cancellation was a welcome acknowledgement that the system set up to manage debt was unsustainable. However, restricting debt cancellation to only 18 countries out of 60 or more that required cancellation was an issue of concern. Zimbabwe joined other countries in calling for the extension of debt relief to low- and middle-income countries with inadequate resources to finance the attainment of the Goals.

29. The 100 per cent debt cancellation initiative sought to cancel debts owed to the World Bank, IMF and the African Development Bank, and should therefore be implemented expediently. The countries chosen were the only ones certified by those institutions as having accomplished some degree of debt reduction. They were said to have reached the HIPC completion point in that they had implemented the sweeping neo-liberal economic reforms demanded by the programme, often with devastating results that deprived countries of policy space to implement their own priorities in poverty alleviation, and in most cases undermined a country's capacity to meet the Goals because the resources available for social expenditure were reduced.

30. The conditions for debt cancellation served to perpetuate the requirement that countries submit to demands that favoured the interests of foreign capital before their debt could be considered for cancellation. The 100 per cent debt cancellation arrangement should therefore be expanded to many other countries in need of it, while ensuring that new conditions were not created. Inclusive, comprehensive debt cancellation free of externally imposed political conditionalities should be carried out, and broadened to include debt owed to other multilateral and regional development banks.

31. **Mr. Tekalegn** (Ethiopia) shared the Secretary-General's view on the need to strengthen IMF financing for poor countries. Further debate on, and an early resolution of, the need to diminish conditionality and make it more supportive of growth and poverty reduction were required. Conditionality should be tailored to a country's circumstances, and an enhanced practical application of the guidelines on conditionality should be pursued.

32. Ethiopia agreed with the Secretary-General that voice and effective participation were issues at the core of the international financial institutions' legitimacy, relevance and effectiveness. The issue needed to be moved in tandem with the agreements of the Millennium Declaration and the Monterrey Consensus, which would deepen the paradigm shift in development thinking. Mutual accountability and responsibility for development entailed consultation and participation with a view to accommodating the specific development challenges of each developing country.

33. Ethiopia welcomed the recent G-8 proposal to cancel 100 per cent of the outstanding debt of eligible heavily indebted poor countries owed to IMF, the International Development Association and the African Development Fund. That proposal needed to be implemented immediately so that the countries in question could begin making use of the resources thereby released in order to accelerate the implementation of the Goals.

Agenda item 73: Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance

(b) Special economic assistance to individual countries or regions (A/60/302)

34. **Mr. Bowden** (United Nations Office for the Coordination of Humanitarian Affairs (OCHA)), introducing the Secretary-General's report on humanitarian assistance and rehabilitation for selected countries and regions (A/60/302), jointly prepared with the United Nations Development Programme (UNDP), said that the report discussed six countries undergoing or emerging from humanitarian crises caused by conflict or natural disasters. Some of the countries covered received primarily reconstruction and development assistance.

35. In view of recurrent flood and drought cycles caused by water resources overuse, climate change, natural resources erosion and high population growth, developing economies in the Horn of Africa needed, in combination with short-term assistance, longer-term efforts to break the cycle of vulnerability by addressing the underlying poverty, malnutrition and chronic food insecurity and promoting development. In some areas, however, internal conflict and political crises made it difficult for aid to reach the populations that needed it most.

36. In Djibouti, the United Nations provided humanitarian relief to tens of thousands of inhabitants affected by three consecutive failed rainy seasons, cooperated with the Government on implementing a poverty reduction strategy to improve health and nutrition levels, encouraged private sector investment and contributed to job creation through microfinance and training in support of sectors that benefited the poor. Since the situation in Djibouti had stabilized, international assistance efforts should be reoriented from life-saving operations to sustainable economic development, and the situation in that country should no longer be considered under the agenda item on humanitarian assistance to countries.

37. In Ethiopia, the 2005 humanitarian appeal combined life-saving relief efforts with a productive safety net programme for food and non-food assistance aimed at stabilizing population groups chronically unable to feed themselves and encouraging long-term development.

38. In Somalia, more than 900,000 people were still suffering from the consequences of recurrent droughts, floods and the tsunami. The international community was responding with urgent food, water, shelter and medical care, while injecting cash into the economy and helping to rehabilitate water systems in order to ensure agricultural growth. An increase in inter-clan fighting had exacerbated malnutrition in some parts of the country and deprived humanitarian actors from access to people who needed food. In fact, continued killing and harassment of aid workers had significantly reduced their number in that literally deadly operating environment, and the quantity of aid delivered to the country. Ensuring the humanitarian staff's safety and access to all drought-affected areas was crucial to stabilizing the humanitarian situation in Somalia.

39. In Rwanda, significant progress had been made towards the rehabilitation of 1994 genocide survivors, particularly by resettling displaced persons, looking after orphans, helping survivors of sexual violence, many of whom were affected by HIV, and supporting the Government in improving the citizens' social and economic life and building key institutions to protect the community.

40. The advanced medical and technical assistance provided to more than 1.3 million people in the Semipalatinsk region of Kazakhstan, who still suffered from radioactive contamination as a result of 40 years of nuclear testing, illustrated the important role that the international community could play in addressing environmental emergencies.

41. In view of the progress achieved in Timor-Leste with regard to institution-building and attaining the Millennium Development Goals, the United Nations mission to that country was expected to disband by the end of 2005. Yet issues such as the rule of law, justice, human rights, security sector support and assistance in relation to national elections in 2007 would continue to require international attention.

42. **Mr. Wahba** (United Nations Development Programme (UNDP)) said that UNDP endorsed the comments made by OCHA concerning their joint report, and in particular the linkages between emergency relief, rehabilitation and longer-term development assistance. The United Nations activities covered by the report constituted multi-agency cooperation on clusters of issues. Furthermore, the report described activities undertaken in response to the request, formulated in General Assembly resolution 59/250 on the triennial comprehensive policy review of operational activities for development of the United Nations system, to focus assistance on building national capacities.

43. **Mr. Lynn** (Myanmar) pointed to the Indian Ocean tsunami of December 2004, recent hurricanes in the southern United States, torrential rains and massive landslides in Central America, and the South Asian earthquake of October 2005 as vivid examples of the transborder character of natural disasters, which, although they caused untold suffering, also demonstrated the caring spirit and solidarity of mankind. In such crises, the United Nations played a crucial role in the delivery of humanitarian assistance.

44. In response to the tsunami of 26 December 2004, ASEAN leaders had met on 6 January 2005 in Jakarta and adopted the Declaration on Action to Strengthen Emergency Relief, Rehabilitation, Reconstruction and Prevention on the Aftermath of Earthquake and Tsunami Disaster of 26 December 2004.

45. Because Myanmar had a coastline on the Indian Ocean, it had not been spared by the tsunami, although the impact had been minimal compared to other countries. Myanmar had addressed the situation effectively on its own, as well as cooperating with the United Nations and other agencies. It had been encouraging to see the international community come together and adopt the Hyogo Declaration and the Hyogo Framework for Action at the World Conference on Disaster Reduction in January 2005, at which stress had been placed on the need to develop and strengthen regional approaches to ensure rapid, effective disaster response in situations where national coping capacities were exceeded.

46. As a member of ASEAN, Myanmar was a party to the ASEAN Agreement on Disaster Management and Emergency Response signed on 26 July 2005 in Vientiane, which called for ASEAN members to cooperate in developing and implementing measures to reduce disaster losses.

47. The United Nations should improve its ability to make the best use of humanitarian capacity at different levels, including regional capacity, by working out procedures in a consistent manner to the benefit of the affected population. Myanmar had adopted effective national measures to address the challenges of the natural disaster, and was cooperating fully in regional and international forums with all the countries concerned. His country reaffirmed its commitment to play its part in humanitarian disaster relief efforts, was encouraged by the global community's demonstration of solidarity in addressing the challenges of natural disasters and strongly believed that work in that regard should be further developed, with the United Nations playing a crucial role.

48. **Mr. Aliyev** (Azerbaijan), referring to the situation in the Semipalatinsk region of Kazakhstan, noted that his country was one of the sponsors of the draft resolution to be presented under the agenda item. He expressed his country's deep concern over the main conclusion of the Secretary-General's report: namely that, despite the efforts of the Government of Kazakhstan and the international community, not enough progress had been made to mitigate the suffering caused by years of nuclear testing. The high morbidity and mortality rates, environmental degradation, and economic problems had long-term consequences which would have a negative impact on Kazakhstan's development and its capacity to achieve the Millennium Development Goals.

49. Azerbaijan hailed the commitment of the Government of Kazakhstan to overcome the problem. Nevertheless, it had to be acknowledged that, as a landlocked country whose economy was in transition, Kazakhstan had limited capacities and continued international assistance was therefore required. The country's economic growth rate should not divert the international community's attention from the problem. The burden had to be shared, and the people of Kazakhstan had to be supported in their rehabilitation efforts.

50. A new programme for the period 2005-2007 to address solutions for problems of the former Semipalatinsk nuclear test site offered an important opportunity to strengthen cooperation and fulfil unimplemented pledges made at the 1999 Tokyo International Conference on Semipalatinsk. Sharing information and best practices in regard to medical rehabilitation, radiological security, and scientific and technical diversification could be valuable. Regional cooperation was a crucial component of the implementation process, including in the area of addressing environmental degradation. The United Nations should play a key role in mobilizing support, sharing lessons and expertise, and increasing awareness of the severity of the problem.

51. **Mr. Sadykov** (Kazakhstan) said that the situation in his country's Semipalatinsk region remained critical, with more than 1.3 million people still suffering from the effects of 468 nuclear tests conducted over a 40-year period. Economic growth over the past five years had allowed his Government to allocate more resources to rehabilitate the region. A number of programmes in the fields of health, education, ecology, water and sanitation were focusing on the rehabilitation and economic development of Semipalatinsk. In 2005, the Government would launch a programme to improve the ecological, economic, medical and social factors that affected the living standards of the region's population. However, much remained to be done to solve the deep-rooted and highly technical problems of

radioactive contamination in the region. Accordingly, as recommended in the report, Member States should, in partnership with his Government, strengthen their efforts to assist the people of Semipalatinsk.

52. **Mr. Gospodinov** (Observer for the International Federation of Red Cross and Red Crescent Societies (IFRC)) said that the death and destruction caused by the recent earthquake in Afghanistan, India and Pakistan and by hurricane Stan in Central America, were vivid reminders of the need to support disaster relief. IFRC was committed to achieving the objectives and recommendations contained in the Secretary-General's reports and supported the recommendations to strengthen regional, national and community risk reduction, disaster preparedness and response. Indeed, the core activities of Red Cross and Red Crescent societies were community participation in disaster preparedness and response. Community participation was reinforced by disaster-management training and coordination with regional organizations, Governments, the United Nations and non-governmental systems. An example of such an effort was the annual pre-hurricane season workshop and contingency planning meeting involving 33 Caribbean and Central American Red Cross societies, the United Nations, the European Union and many non-governmental agencies.

53. IFRC had undertaken, as part of a coordinated initiative with the Niger Government, the World Health Organization, the United Nations Children's Fund and other partners, to participate in the largest distribution of mosquito nets in Africa to protect every child under 5 in the Niger. The $13.3 million programme was jointly financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Canadian Government, with the support of the Measles Partnership, Global Polio Eradication Initiative and the Roll Back Malaria Partnership. The ever-challenging demands of coordinating assistance in major natural disasters were a continuing priority for IFRC.

54. IFRC coordinated its efforts with the United Nations and other agencies while retaining the independent nature of the movement. Humanitarian assistance must take recovery and longer-term development needs into consideration at an early stage. Countries recovering from conflict or disasters needed to invest in institutional capacity-building to strengthen the effectiveness of the public sector. After citing examples of the invaluable support provided by Red Cross and Red Crescent societies to local authorities at the community level in various countries, including Kazakhstan and Timor-Leste, he urged Governments to mobilize the resources and skills of their national Red Cross and Red Crescent societies and include them in the formulation of disaster management and development plans.

55. **Mr. Tekalegn** (Ethiopia) said that his Government had two complementary food security plans — the humanitarian appeal process and the productive safety nets programme. The objective of the programme was to achieve the food security needs of about five million Ethiopians within three to five years by tackling the root causes of food insecurity, including the pressure of rapid human and livestock population growth; desiccation of water resources; near complete dependence on rain-fed agriculture; and lack of access to irrigation. Poor access to basic social services, such as public health and education, as well as limited access to technology and other inputs, were basic challenges to improving farming productivity and income. In order to ensure that the cycle of food insecurity was not perpetuated, it was imperative for Ethiopia and its partners to continue to implement the programme over its entire lifespan.

56. The response to the joint humanitarian appeal for 2005 had been substantially lower than in 2004. Noting that only 48 per cent of the non-food component of the appeal had been covered, he reiterated the importance of full coverage of that component in assisting his country to make the transition from relief to development. The main responsibility for improving the humanitarian situation and creating conditions for long-term development lay with the Government, which had an efficient early warning system for both food and non-food requirements to predict disasters and respond quickly in order to minimize their impact. Referring to the Millennium Development Goals, he recalled Ethiopia's agreement with its partners that it would need $500 dollars a year for five years to achieve its goal of ensuring food security over that period. In that regard, his Government had allocated more than 2 billion birr under its 2004/2005 budget to cover, as agreed, 40 per cent of that cost. If all the partners fulfilled their part of the bargain, Ethiopia would achieve food security within the specified time frame.

57. **Mr. Siregar** (Indonesia) stressed the importance of assisting Timor-Leste in its efforts to integrate into the world economy and invited the United Nations and

other intergovernmental and non-governmental organizations to support the Government and people of Timor-Leste in their nation-building and capacity-building efforts. Indonesia and Timor-Leste had established satisfactory bilateral relations and would continue to pursue a positive relationship, including through the establishment of a truth and friendship commission. Indonesia strongly supported Timor-Leste and would continue to take part in international efforts to develop that country.

58. **Mr. Khan** (Pakistan) said that the world was witnessing an unprecedented cycle of natural disasters that had wreaked havoc across countries and continents. The time had come for the international community to agree on mechanisms to coordinate effective and immediate relief assistance to address long-term reconstruction needs of the affected countries. In that context, he supported the Secretary-General's recommendation for strengthening regional, national and community risk reduction, disaster preparedness and response mechanisms. The Economic and Social Council should work towards strengthening mechanisms to enhance the international community's capacity to ensure a rapid response to the increased frequency of natural disasters.

The meeting rose at 12.10 p.m.

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Held at Headquarters, New York, on Wednesday, 12 October 2005, at 3 p.m.

Chairman: Mr. Wali ..... (Nigeria)

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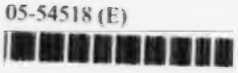

The meeting was called to order at 3.10 p.m.

Agenda item 51: Follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/60/111, 219 and 289 and Add.1)

1. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General (A/60/289), said that it provided an update on recent developments in assistance for development, external debt, trade, and systemic issues. It should be read in conjunction with the four other major reports relating to the Monterrey agenda issued earlier in 2005 (report, first-page summary) and with the *World Economic and Social Survey*.

2. Recent measures to increase international financial and technical cooperation for development by the European Union and the Group of Eight (G-8) (report, paras. 8-9) had been reflected in the Outcome of the 2005 World Summit, as had the Paris Declaration on Aid Effectiveness with its more than 50 commitments to improve the quality of aid (report, para. 10). Progress had also been made under G-8 auspices in finding new ways to increase the sources of financing, especially the innovative pilot project sponsored by the Global Alliance for Vaccines and Immunization and the Action Against Hunger and Poverty initiative (report, para. 14).

3. On the question of external debt relief, the main development had been the G-8 proposal to cancel the official debt of certain heavily indebted poor countries to the World Bank, the African Development Bank and the International Monetary Fund (IMF) (report, paras. 16 ff.). That was surely cause for celebration, although the details still needed to be worked out. But the problem remained of the external debt of many other countries not in that category, and the international financing institutions involved would need additional funds so that they could continue to function normally without reducing their loans to such countries. Consequently, it was more important than ever to reach a consensus on what constituted debt sustainability.

4. In the area of world trade, the forthcoming Sixth Ministerial Conference of the World Trade Organization (WTO) in Hong Kong would be crucial for the success of the Doha Round (report, paras. 24-30), which it was hoped would be completed by the end of 2006 in a way that fulfilled its development promise. One of the most important aspects of the Doha work programme was the focus on commodities. Commodity-dependent countries, particularly in Africa, would require an integrated approach that fostered diversification of exports, added value, greater supply capacity, management of price volatility and new financing schemes. The G-8 had announced the creation of a trust fund based on voluntary contributions to support poor countries facing commodity price and other external shocks; and there had been other welcome proposals for the creation of an aid-for-trade fund and for the expansion of South-South trade.

5. The Monterrey Consensus had covered two broad groups of systemic issues. The first related to the structural features of the international monetary and financial system and the possible vulnerabilities they generated for the world economy and for developing countries in particular; the second related to the institutional design of the current system and the capacity of different countries to act effectively within the system (report, paras. 31 ff.).

6. The widespread concern about global macroeconomic imbalances highlighted the importance of the first group of issues. Greater international cooperation would be needed to reduce them with the least risk to world economic growth and the least impact on the least developed countries. The evolution of the global financial system had brought with it potential increases in systemic risk, especially the growing likelihood of boom-and-bust cycles; and therefore all countries had to incorporate macroprudential elements into their financial regulation to compensate for the tendency of the financial markets to behave in a pro-cyclical manner.

7. The institutional issues were being addressed in the discussions on the IMF medium-term strategy, and they should help to define the Fund's role in changing the global economic environment and ensure its effectiveness and relevance for all member countries, which must participate as equal partners in any adjustments to the system. International governance structures had to be broadened to include the developing countries and the countries with economies in transition in international economic decision-making and norm-setting. International cooperation on tax policy also had significant systemic implications, and the forthcoming first meeting of the Committee of

Experts on International Cooperation in Tax Matters, newly established by decision of the Economic and Social Council, was to be welcomed.

8. The Committee should bear in mind in its discussions the relevance of two earlier reports by the Secretary-General (A/59/822 and A/59/800), which had a bearing on two of the pillars of the Monterrey Consensus — the mobilization of internal financial resources and the promotion of international private flows — that had not been covered in the report under consideration.

9. Two important events related to the need for staying engaged (report, paras. 37-44) had taken place in 2005: the annual meeting of the Economic and Social Council with the international financial and trade institutions, and the High-level Dialogue of the General Assembly on Financing for Development, both of them fruitful. There had also been a number of significant regional initiatives, and the innovative multi-stakeholder consultations on financing for development had been very successful. Furthermore, as a possible way of strengthening intergovernmental follow-up, one of the Secretary-General's reform recommendations had been the establishment of an intergovernmental mechanism allowing the Economic and Social Council to engage its counterparts in the financial and trade institutions, which could be either an expanded Bureau or a new, regionally balanced executive committee. The Monterrey follow-up machinery unquestionably needed improvement, particularly in the Council's preparations for its annual meeting with the international financial and trade institutions and in the case of a possible follow-up conference on the implementation of the Monterrey Consensus.

10. **Mr. Trepelkov** (Chief, Multi-stakeholder Engagement and Outreach Branch, Financing for Development Office), introducing the report of the Secretary-General on multi-stakeholder consultations on financing for development (A/60/289/Add.1) said that the programme of consultations between experts from the official and the private sectors had consisted of 21 meetings in late 2004 and early 2005 covering five substantive areas.

11. The series of consultations on building inclusive financial sectors for development (report, paras. 6-14) coordinated by his Office, had produced a "Blue Book" to serve as a reference point for national multi-stakeholder discussions in developing countries and help Governments shape strategies in that area. It identified the key constraints on financial inclusion, pointed to areas in which strategic policy choices were likely to make the biggest difference to the future development of financial inclusion and offered a series of strategic options, at the same time urging stakeholders in each country to identify country-specific issues.

12. For the consultations on sovereign debt for sustained development (report, paras. 15-19), a paper on debt management issues had been prepared by his Office, in consultation with major stakeholders, focusing on three main areas: how to make the concept of debt sustainability operational, how to manage sovereign debt for policy coherence and how to contain risk and reduce uncertainty. Views had converged on the absence of agreement on the concept of debt sustainability, and the need for an improved mechanism to achieve cooperative debt workouts from insolvency crises; the two points themselves converged. In a follow-up to these consultations, his Office was working with the United Nations Development Programme (UNDP) to develop an operational definition of development-oriented debt sustainability by assessing the relationship between debt sustainability and the achievement of the Millennium Development Goals in heavily indebted poor countries and critically indebted countries.

13. The consultations on public-private partnerships to improve the reach and effectiveness of development assistance (report, paras. 20-28), coordinated by the World Economic Forum, had focused on the areas of basic education, health, and water and sanitation, where private sector participation was often politically contentious. The general findings were: that persistent development challenges required new approaches and new partnerships that drew on the expertise of the private sector; that increasing amounts of private resources were being directed to development-oriented public-private partnerships; and that public-private partnerships had to be better integrated into the structuring and delivery of aid programmes, and should be used more widely. The cross-cutting and sector-specific recommendations of the consultations would be the subject of a presentation in the Committee by the World Economic Forum.

14. Other consultations had been held by the World Economic Forum on how multilateral development

banks and bilateral aid agencies could improve the climate for private investment (report, paras. 29-30) by doing more to mitigate risk and by working with the private sector to increase support for capacity-building in financial governance. Global capital markets were unlikely to fund the infrastructure needs of developing countries without government support to cover unacceptable risks. There was considerable unused capacity in multilateral development banks to provide additional financing. Recommendations on how to unlock such "trapped capital" in both private and public institutions included the strengthening of risk mitigation products, project development capacities and financial governance, and institutional changes in development agencies.

15. The consultations on systemic issues (report, paras. 31 ff.), organized by the New Rules for Global Finance Coalition, focused on the structural features of the international monetary, financial and trading systems, the potential vulnerabilities they posed for developing countries and the institutional design of the international financial system. Many specific proposals had been made (report, paras. 32-51) for the prevention and resolution of financial crises, the securing of viable sources of domestic finance, and the improvement of the governance of the international financial system.

16. Among the possible next steps in connection with the multi-stakeholder consultations (report, paras. 52-56) would be to continue exploring the same topics and recommendations with a view to implementing them. Otherwise, a new 2006-2007 series of consultations might be warranted on other Monterrey policy areas such as improving the regional regulation of financial sectors, rethinking the role of national development banks and securing the financing of basic services.

17. **Ms. Paredes-Prieto** (Spain) said that, since the Secretary-General's report (A/60/289) had been written, three other Governments — Italy, Switzerland and Spain — had joined France and the United Kingdom in the pilot project for an international finance facility sponsored by the Global Alliance for Vaccines and Immunization.

18. **Mr. Zalaquett** (Chile) expressed regret that in paragraph 14 of that report, Chile, one of the first Governments to have joined the Hunger and Poverty initiative, had not been mentioned as the very first to have announced a voluntary contribution under the pilot project in question. As of January 2006, Chile would impose a 2-per-cent levy on all proceeds from the sale of air tickets, to be applied to a fund to combat HIV/AIDS.

19. **Mr. Kariuki** (United Kingdom) pointed out that it had been announced that very morning that the proposal referred to in paragraph 16 of the report (A/60/289) had become a reality: the international financing institutions had approved it and the funds to compensate them for the debt forgiveness had been guaranteed by the Group of Eight. Also, he wished to note that six countries, not just France and the United Kingdom, had joined various agencies and the Gates Foundation in launching the international finance facility for immunization referred to in paragraph 14 of the report.

20. **Mr. de Rojas** (Director, Financing for Development Office, Department of Economic and Social Affairs) thanked the delegations that had just provided information not reflected in the report, which had been completed in July.

21. **Ms. Schmidt** (Director of the Office for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing Countries) delivered a statement on behalf of the Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

22. The impact of growing inequality and the effects of globalization on the least developed countries meant that they required support if they were to set out on the path to sustainable development. An in-depth analysis of the least developed countries' requirements had confirmed the importance of ODA, because they were caught in a poverty trap, where slow growth and low income limited domestic savings. Their ability to attract foreign direct investment was also marginal. They had, however, been heartened by the outcome of the 2005 World Summit, because it had reaffirmed the Monterrey Consensus and the developed countries' commitment to a global partnership for development. The situation of the least developed countries was indeed dire; if implementation of the Millennium Development Goals continued at its current pace, the goal of eradicating hunger and poverty by 2015 would not be attained. The gradual increase in ODA over the previous two years and the undertakings given by the European Union and the Group of Eight at Gleneagles were therefore most welcome. On the other hand, the

ODA debate also concerned the quality of the aid provided, as that greatly influenced its effectiveness. Only when aid was fully aligned with national development strategies could it really produce results. The least developed countries had made great strides towards creating an enabling environment for the implementation of those strategies. That, together with the fact that budget support had proved to be a good method of transferring resources, ought to encourage donors to make increasing use of that channel. Untied aid and assistance provided on a predictable basis were vital, since medium-term and long-term ODA flows to the least developed countries reduced uncertainty about meeting national development goals on schedule.

23. She hoped that donors would allocate the lion's share of increased development assistance to the least developed countries in order to make sure that the goals of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010 would be achieved in a timely fashion.

24. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, said that the decision of the European Union to set a timetable for achieving the target of allocating 0.7 per cent of GDP to ODA was a good example which deserved to be followed by other developed countries. Although additional sources of financing for development had lent fresh impetus to discussions, it was necessary to make greater headway towards results which would have a real impact of the lives of those most in need.

25. Notwithstanding developing countries' efforts to promote domestic resource mobilization and attract foreign investment, the shortfall in the volume of the resources they needed for sustained economic growth and poverty eradication called for a substantial increase in additional resources. Development partners' promises that they would back developing countries' efforts to devise and execute national development strategies must be honoured. Domestic resources should be complemented by external financing through international trade and investment and ODA. There was likewise a great need for source country measures to mitigate the impact of the excessive volatility of short-term capital flows and to sustain sufficient private financial flows to developing countries.

26. The United Nations had a critical part to play in promoting development cooperation and shaping the global economic environment. Its role could be expanded if more core funding were provided for development cooperation. The Economic and Social Council ought to be empowered to support that endeavour on the basis of the 2005 World Summit Outcome and greater attention should be paid to the Council's role in overseeing the implementation of goal 8 of the Millennium Development Goals.

27. As far as policies were concerned, the political conditions surrounding development assistance and concessionary financing must be removed, because they were impeding recipient countries' progress and might undermine the fulfilment of commitments to give effect to the Monterrey Consensus. It was also vital to address global systemic issues in order to enhance the coherence of the international monetary, financial and trading system. To that end, more genuine attempts to enhance developing countries' participation in global economic decision-making were required.

28. The challenge ahead was implementation. It was therefore necessary to identify ways of building on the elements of the Monterrey Consensus. A follow-up conference on financing for development would be an opportunity for taking stock of achievements to date and of what still needed to be done to move forward. Qatar's offer to host such a conference should be accepted by the General Assembly.

29. **Mr. O'Neill** (United Kingdom), speaking on behalf of the European Union and nine European countries which aligned themselves on his statement, expressed strong support for the partnership between developed and developing countries mapped out in the Monterrey Consensus. The European Union was strongly in favour of promoting country-led sustainable development through action on the volume and effectiveness of aid, debt relief, innovative financing mechanisms and trade. It was very important that the reform of aid delivery and management mentioned in the Paris Declaration on Aid Effectiveness should be carried out.

30. Domestic and external resources could best be mobilized in a domestic environment ensuring transparency, accountability and stability. Since the entry into force of the United Nations Convention against Corruption would be a big step forward in that direction, all Member States which had not done so should sign and ratify the Convention. The European Union was determined to support developing countries' efforts to create the requisite enabling environment and

it believed that the mobilization and allocation of resources should increasingly reflect partner countries' own priorities.

31. The Doha Round must deliver real gains in the field of trade. A comprehensive pro-trade agenda would generate benefits for all trading partners, especially developing countries. Accordingly, every effort must be made to secure the successful conclusion of the Doha Round.

32. An increase in the volume of ODA was urgently needed in order to achieve the Millennium Development Goals. Four European Union States already exceeded the target of devoting 0.7 per cent of their gross national income (GNI) to ODA. A new collective GNI/ODA target had been fixed of 0.56 per cent by 2010 and the new member States had undertaken to achieve the 0.7 per cent target by 2015. As a result, European Union aid should exceed $80 billion in 2010. At the same time, the European Union would increase its financial assistance to sub-Saharan Africa and would channel at least 50 per cent of the agreed increase in collective ODA to the African continent, while fully respecting individual States' priorities in development assistance.

33. It was equally essential to improve the quality and effectiveness of aid. The European Union was fully committed to timely implementation of the Paris Declaration on Aid Effectiveness and to that end would devise new, more predictable and less volatile aid mechanisms supplying more stable resources. The United Nations system also had an important part to play in enhancing aid effectiveness by securing coherent, well-coordinated country-level operations.

34. Innovative financing mechanisms could help to raise and deliver the financing necessary to achieve the Millennium Development Goals. A group of European Union States would implement the International Finance Facility to frontload resources for development. Some States would be introducing a solidarity levy on airline tickets as a means of funding development projects, while others were wondering whether to join in those initiatives or simply to increase traditional ODA.

35. Given that migrants' remittances could be a substantial source of financing for development, efforts by Governments and stakeholders to reduce the cost of transferring such remittances were welcome. Yet such private transfers must complement, not replace, other sources of financing for development.

36. The European Union approved of the G-8 initiative to cancel the outstanding debt of eligible heavily indebted poor countries to the International Monetary Fund (IMF), the International Development Association (IDA) and the African Development Fund, but it was vital to ensure that the problem of unsustainable debt would not recur. It was also important to build inclusive financial sectors, since access to financial services could make a sizeable contribution to poverty eradication. Similarly, it was essential to ensure that developing countries and countries with economies in transition could really make their voice heard at the international financial institutions.

37. The balance of the debates on the Monterrey Consensus over the previous 12 months had been positive, but more progress still had to be made. Careful consideration should be given to the optimum timing and format of a Monterrey review. In that connection, it would be wise to assess a number of factors, including the World Summit Outcome, rather than automatically resorting to the "plus 5" formula.

38. **Mr. Chowdhury** (Bangladesh) said that, sadly, the gap between rich and poor had widened since the International Conference on Development Financing held in Monterrey in 2002 and most of the developing countries had a long way to go to attain the Millennium Development Goals. Those which had achieved a modicum of success had done so through a combination of domestic effort supplemented by the backing of a broad partnership of stakeholders.

39. His Government had undertaken a series of economic and political reforms to foster an enabling business environment and, as a result, it had recorded considerable advances in the socio-economic sector. Nevertheless, while his country was on track towards meeting some of the Millennium Development Goals, it was still far from goal 1 and would need effective support from its development partners if it was to achieve all the Goals on time.

40. While the upward trend in ODA was appreciated, it did not come anywhere near the target of 0.15 to 0.20 per cent of GNP. He therefore urged all developed countries to honour their commitment to channel 0.7 per cent of their GNP to ODA.

41. International debt relief measures were anything but effective. Debt sustainability ought to be redefined in terms of achieving the Millennium Development Goals. The G-8 proposal to cancel 100 per cent of the debt owed by heavily indebted poor countries should be extended to all the least developed countries and a road map for its immediate implementation should be drawn up. It would be wise to make all future assistance unconditional and to base it on grants. The distribution of ODA must be rational and not politically motivated. The blueprint contained in the Paris Declaration on Aid Effectiveness warranted careful consideration.

42. An international finance facility might be a useful source of additional resources if it minimized transaction costs and ensured country ownership through direct budget support. It must also guarantee the predictability of the flow of funds and be transparent. The funds disbursed must complement traditional sources and no conditions should be attached.

43. Since international trade was an engine for development, the international community would be well advised to abolish duties and quotas on all exports from the least developed countries. Nor should their products be subjected to unrealistic rules of origin. After the phasing out of the MultiFibre Arrangement, there was a growing need for trade adjustment. The proposed aid for trade fund was therefore a significant new move.

44. In view of the fact that migrants' remittances had become an important source of foreign exchange for many developing countries, labour from those countries ought to be given wider access to developed countries and migrant workers' rights should be legally protected. The transfer of remittances should be unhindered and transaction costs minimal.

45. Every effort should be made to ensure the successful conclusion of the Doha Round by securing increased market access for developing countries, more flexible rules, longer transition periods for implementation and a waiver from many reporting requirements, while allowing more room for countries' own development strategies.

46. It would be helpful if a significant portion of foreign direct investment were to be directed towards the least developed countries and the latter given an opportunity to participate more in the decision-making processes of international financial institutions. An immediate scaling-up of efforts and additional resources were required in order to address the critical challenges facing the poor. A true partnership involving all stakeholders, which rewarded performance and genuine reforms, might bring about a real improvement.

47. **Mr. Liu** Liqun (China) said that, despite a reversal of the downward trend in ODA and the greater effectiveness of ODA, the developing countries' realization of the Millennium Development Goals was being hampered by a dearth of financing for development. Poor countries still lacked the capacity for sustainable development. Given that the insufficient volume of development aid, instability in the financing system and the increasing globalization of the economy made the issue of financing all the more acute, the international community should strive to put the Monterrey Consensus into practice.

48. His Government welcomed the offer of Qatar to host a follow-up conference to the International Conference on Development Financing held in 2002. While the primary responsibility for development lay with the Government of each country, international support was crucial. The international community should therefore seize the opportunity of a follow-up conference to ensure that the undertakings given at the World Summit were honoured.

49. ODA must be increased and debt reduced if international development goals were to be achieved. For that reason, the G-8 decision to cancel the debt of 18 heavily indebted poor countries was both timely and necessary. Furthermore, it was vital to heighten the efficiency of ODA, together with that of the international economic and financial system. The widening North/South gap and recurrent financial crises were a sign that the Bretton Woods system was in need of reform.

50. Since trade was the key to development, the Sixth WTO Ministerial Conference should take account of Member States' concerns and strive to bring the Doha Round to a successful conclusion. It was also necessary to explore new sources of financing for development, because innovative financing mechanisms might prove a good complement to ODA. His Government welcomed both the initiative of the United Kingdom to set up an international finance facility for

immunization and the French Government's international assistance pledges.

51. All countries ought to strengthen their and capacity for raising funds on the domestic market and do their utmost to improve their macroeconomic policy, governance and investment climate. What was needed was a long-term approach coupled with systemic reform. Market mechanisms allowing the business world to play a bigger role should also be used. At the same time, international technical assistance would be required while countries gathered experience on how to boost their capacity for self-financing.

52. China had acquired several years' experience in attracting foreign investment to promote development. Its national policy was predicated on open markets. As domestic and international markets were increasingly interconnected, it was encouraging its firms to become global players as part of a mutually beneficial strategy. It had long been China's policy to provide business opportunities as a means of reducing poor countries' debt and to use both bilateral and multilateral channels to give aid to developing countries. In the future, it would also exempt some products from the least developed countries from duty and remit the debt of the heavily indebted poor countries. In addition, it would provide concessionary loans and medical assistance.

53. His Government was willing to explore the issue of financing for development, swap experience, deepen cooperation and promote joint development.

54. **Mr. Chhatwal** (India) said that the Monterrey Consensus stressed the importance of enhancing the coherence and consistency of the international monetary, financial and trading systems. Although complete policy coherence was neither theoretically conceivable nor practically feasible, efforts should be made to remove the most obvious inconsistencies and strive for great coherence where it was needed. That could be accomplished by deepening understanding of how different policies affected the development process and by mobilizing greater political consensus on the need to make the decision-making system more participatory. The voice and participation of developing countries in the Bretton Woods institutions remained a matter of concern and the United Nations would have to keep a vigilant eye on the process of reform in those institutions.

55. Debt cancellation should not be restricted to loans from IMF and recycling aid and debt. He emphasized the importance of raising investment and savings rates by meeting ODA targets and using innovative sources of financing, of public sector investment, of transfer of resources and environmentally friendly technology, of the principle of special and differential treatment and of achieving Millennium Development Goal 8 on a global partnership for development. The United Nations must provide comprehensive political direction to the forthcoming WTO Ministerial Conference in Hong Kong in December 2005. The impact of the Outcome of the 2005 World Summit on the International Monetary Fund and the World Bank demonstrated that such direction was required and heeded.

56. With regard to innovative financing mechanisms, although there could be merit in front-loading the flow of aid, it was essential that ODA did not fall below a pre-committed level after the front-loading period. Robust and efficient mechanisms to track ODA flows should be established, particularly in the context of the recent debt relief initiatives. New mechanisms and innovative sources should not place increased burdens on developing countries or have a negative impact on enhancing their voice and participation in international financial institutions and decision-making processes.

57. The removal of global imbalances required a coordinated approach involving major global players and the International Monetary Fund had an important role in that regard. A major shift with respect to the focus and instruments of surveillance had occurred in the past two years, reflecting the efforts of IMF to meet the challenges of an increasingly integrated global economy. However, there were doubts about the effectiveness of instruments to strengthen surveillance. Since past financial crises had originated in the industrialized countries and advanced financial centres, improvements were needed in the effectiveness and even-handedness of the Fund's bilateral surveillance. Surveillance reports of advanced economies remained somewhat weak. While the role of Fund surveillance in programme countries was curative, in non-programme countries it was preventive.

58. His delegation recognized the need for an effective mechanism to assess the implementation of commitments and agreements reached at the International Conference on Financing for Development, particularly in order to build on the

agreements reached at the 2005 World Summit. It was not convinced that an expanded bureau or an executive committee, as proposed by the Secretary-General, was needed for the Economic and Social Council to engage with finance and trade organizations. The United Nations, through the Council as a whole, should ensure political management of the process. The annual meetings of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development should enable the Council to discharge its tasks effectively and efficiently. Greater synergy between those annual meetings and the biennial high-level meeting of the General Assembly was also needed. The United Nations should play a predominant role in managing the international macroeconomic agenda.

59. **Mr. Mwasha** (United Republic of Tanzania) said that the International Conference on Financing for Development had forged a partnership between developed and developing countries, the private sector and multilateral institutions. Although the developing countries had had higher expectations regarding the partnership, at least all countries were committed to remaining fully engaged — at the national, regional and international levels — for the purpose of ensuring proper follow-up to the agreements and commitments made.

60. The 2005 World Summit Outcome had reaffirmed the Monterrey Consensus and recognized that the mobilization of financial resources for development and the effective use of those resources were vital. Developing countries had committed themselves to mobilizing increased domestic resources, undertaken far-reaching economic and institutional reforms and embarked on trade liberalization and privatization. Many of the least developed countries had made significant sacrifices in order to qualify for full debt relief under the Heavily Indebted Poor Countries Initiative. Despite their efforts, countries were unable to mobilize sufficient resources domestically. That was a clear signal that factors other than good governance, the rule of law, democracy and the fight against corruption were required for resource mobilization.

61. He cited a number of economic statistics testifying to the growth of his country's economy over the past decade. Nevertheless, despite its efforts and the substantial increase in domestic resources realized, his country still fell far short of the resources required to achieve most of the Millennium Development Goals by 2015. ODA and other international sources of financing for development therefore remained critical.

62. The support of the international community, multilateral financial institutions and development partners for the efforts of developing countries was crucial if the unity of purpose and action forged in Monterrey was to be meaningful. The 2005 World Summit Outcome had failed adequately to address the imbalances, exclusions and undemocratic and discriminatory tendencies of the international trading system. The decision-making and norm-setting processes of WTO were still largely concentrated in the hands of developed countries, the conclusion of Doha Development Agenda was still a myth and the progress of negotiations in Geneva was disappointing. More disheartening was the failure of the World Summit Outcome to give clear political guidance and momentum to the forthcoming WTO Ministerial Conference in Hong Kong. If trade was truly to be an engine of development, it should be fair to all participating nations, rich and poor alike.

63. ODA remained a critical source of financing for development in developing countries. The commitment by a number of countries, particularly the European Union, to achieve the target of 0.7 per cent of GNP was encouraging. The additional US$ 50 billion required annually to enable the developing countries to achieve the Millennium Development Goals also had to be mobilized.

64. The principles of good governance, the rule of law, human rights and the fight against corruption were as important at the international level as they were at the national level. Reform of the international financial architecture was only one aspect of good governance at the international level. Developing countries deserved to be fairly represented in international financial institutions.

65. In conclusion, he noted that the average global per capita military expenditure was US$ 162 at a time when millions of people lived on US$ 1 or US$ 2 per day. That trend was morally indefensible.

66. **Ms. Aleman** (Peru) noted with regret that inequalities continued to widen and that, if current trends continued, the majority of developing countries would fail to achieve most of the Goals.

67. Her country was firmly committed to achieving the Goals and honouring the commitments adopted at

Monterrey with respect to a new global partnership for development. The partnership called for action within developing countries as well as by the industrialized countries. However, it placed excessive emphasis on ODA which, while contributing to poverty reduction, did not necessarily foster development.

68. Development encompassed much more than the Millennium Development Goals. It was necessary to lay the foundation for sustained economic growth fostered by productive and technologically advanced investment. Development also required creating decent employment and a large middle class, as well as upholding the rule of law.

69. An open international trading system and an international financial system based on transparent and non-discriminatory norms were required. The international community should continue to support the efforts of the developing countries to achieve sustainable growth, debt sustainability, job creation, poverty eradication and good governance. Accordingly, it should mobilize additional international financial resources for development, increase direct investment flows, transfer technology and reform the multilateral trading system.

70. With regard to debt sustainability, her delegation welcomed the recent G-8 initiative regarding a number of heavily indebted poor countries and was confident that the other countries in that category would benefit similarly. Such measures should be deepened and consideration should be given as soon as possible to providing debt relief for, or restructuring a significant part of the debt of, heavily indebted countries and low- and middle-income developing countries. Unsustainable debt burdens seriously undermined efforts to create employment and alleviate poverty in all developing countries.

71. Developing countries often had resources but were unable to use them to promote productive and non-inflationary growth. They required additional fiscal space in order to increase investment in health, education, nutrition, infrastructure, sanitation and housing. The expansion of infrastructure would generate employment, foster democratic governance and enhance the competitiveness of the economies of developing countries. Her delegation therefore welcomed the recognition by the World Bank and the International Monetary Fund that scaling up investment in infrastructure was a key to faster growth and progress in reducing poverty, and it looked forward to the progress report by the World Bank on the impact of fiscal space on growth and the achievement of the Millennium Development Goals.

72. **Mr. Khan** (Pakistan) said that domestic financing alone would not generate rapid development. Sizeable amounts of external financing in the form of grants, loans, export earnings, FDI and other capital market flows were also critical. ODA was the most important source of financing for the poorest countries. His delegation welcomed the commitment by most developed countries to the 0.7 per cent ODA target. It also welcomed the declaration by the Group of Eight in support of debt cancellation, time-bound commitments for increased ODA, and suggestions regarding additional innovative financing. The real impact would depend on how those schemes were actually implemented.

73. His country had the capacity for much faster and broader growth, particularly in the social sectors, and for infrastructure development. It was seeking additional assistance from the World Bank, the Asian Development Bank and bilateral donors in order to undertake infrastructure projects that would enable it to become a transit hub for adjacent regions.

74. Trade was a vital component of development and development financing. His country's trade potential was constrained by inequities in the global trading system, including agricultural subsidies, high duties and tariff and non-tariff barriers. Low-income countries including his own would benefit from conscious policy measures to channel foreign direct investment to those countries. Such measures could include streamlining and enhancing the transparency of risk rating mechanisms, FDI in infrastructure development and arrangements to mitigate the impact of excessive volatility of short-term capital flows.

75. Financing could also be secured for development by managing existing resources more effectively, curbing the transfer of illicit funds from developing countries and ensuring their repatriation to the countries of origin, and reviewing the impact of tax havens on capital flight and tax revenue generation in developing countries. Furthermore, because good global governance must accompany good national governance, international economic policymaking should be conducted in an equitable manner.

76. The fact that the 2005 World Summit had assigned responsibilities to the Economic and Social Council with respect to promoting policy dialogue as well as on matters concerning development cooperation, post-conflict development and coordination within the United Nations system would prove extremely useful in the context of the Monterrey follow-up process. His delegation was ready to cooperate in efforts to devise effective follow-up action and welcomed the offer by Qatar to host the follow-up conference in 2007.

77. **Mr. Gass** (Switzerland) said that his country was firmly committed to the approach adopted at the Monterrey Conference. It was absolutely critical for the developing countries — which bore the primary responsibility for their own development — to formulate and implement effective strategies for combating poverty in keeping with the Millennium Development Goals and to create framework conditions favouring human and environmentally sustainable development. The industrialized countries, for their part, should increase development aid and enhance its quality and effectiveness, facilitate the transfer of resources and open their markets further to developing countries, particularly the poorest ones. They also should better coordinate their macroeconomic policies in order to strengthen global economic stability, thereby enhancing the predictability of financial flows to developing countries and countries in transition.

78. His country would continue to contribute very actively to the global partnership and would seek to involve civil society and private enterprises. It would continue to provide direct and indirect support for the key areas defined in the Monterrey Consensus, in particular, by strengthening good governance and the management skills of its bilateral partners. Switzerland would also pay special attention to the establishment of partnerships with the private sector in order to further increase the impact of its development cooperation resources. Approximately one half of his country's bilateral and multilateral commitments was allocated for programmes in sub-Saharan Africa.

79. Although Swiss Government expenditures on development aid would increase less rapidly in the coming years owing to mandated financial stringencies, after 2008 the Government planned to increase the percentage of its budget allocated to development aid.

80. His country had closely followed the international discussion on the mobilization of new resources for development. Although it still had some fundamental reservations about proposed mechanisms for mobilizing resources at the global level, it was willing to consider participation in more restricted measures of a voluntary nature.

81. The effectiveness and impact of development aid must be further improved through the combined efforts of all the partners involved. Major decisions had been adopted at the High-Level Forum on Aid Effectiveness earlier in 2005 to achieve substantial improvements in the harmonization and alignment of development aid. His country was fully committed to that collective effort.

82. Remittances by migrant workers to their developing or transition countries of origin were of increasing importance for development financing. Switzerland was a major country of origin for such remittances and believed that a number of important issues concerning those resources needed to be addressed. It welcomed the proposal to prepare a draft resolution on the subject.

83. His delegation welcomed the initiative on debt relief agreed upon by the Group of Eight and the political agreement reached at the Annual Meetings of the Bretton Woods institutions. The Group of Eight initiative complemented the HIPC Initiative and could contribute decisively to progress towards the Millennium Development Goals in beneficiary countries. However, it was essential to maintain the financial capacity of the International Development Association, IMF and the African Development Bank and to prevent countries that benefited from debt relief from subsequently accumulating unsustainable debt. A follow-up system should ensure that the resources freed through debt cancellation were allocated in a manner conducive to the attainment of the Millennium Development Goals.

84. International trade had a major role to play in combating poverty and his delegation was pleased that the Doha Work Programme paid particular attention to development concerns. It was important to make progress on all issues under negotiation and to achieve a balanced result among all the major issues that would be on the negotiating table at the WTO Ministerial Conference in Hong Kong. Given the vulnerable situations faced by many developing countries,

particularly the least developed among them, a certain degree of flexibility in trade agreements would be appropriate in order to take those situations into account. At the same time, the level of commitments must correspond to the countries' capacity for implementation.

85. His country would continue its development cooperation efforts in order to strengthen the capacity of developing countries to benefit from the implementation of trade agreements. The Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in Their Trade and Trade-Related Activities had proved its worth and should be strengthened and extended to other beneficiaries. That would be preferable to launching new initiatives in that area.

86. **Mr. Chem** (Cambodia) said that his Government was studying the possibility of incorporating major foreign financial assistance into the national budget framework, in an effort to strengthen government ownership of the national development strategy while ensuring a successful partnership with the international donor community and financial institutions.

87. International financial markets had remained selective and were concentrated in developed countries. International trade and finance had become more unbalanced than ever, threatening to destabilize the whole world economy. There was thus an obvious urgency to address complicated and sensitive market issues and to reform the international financial architecture.

88. In order for developing countries to overcome poverty, an effective increase in ODA was needed. All developed countries should honour their commitments to developing and least developed countries as stated in the Brussels Programme of Action for the Least Developed Countries. At the same time, ODA should reflect recipient country needs and priorities. Over the years, many countries had established democratic institutions to ensure good governance and sustainable economic development. However, in the absence of universal measures regarding transparency, mutual accountability and good governance, double standards often arose and placed developing countries in an unfavourable position. Cambodia was therefore in favour of a level playing field that would ensure a viable and efficient partnership at the national, regional and international levels.

89. **Mr. Gaouaoui** (Algeria) said that levels of ODA remained inadequate despite the increases achieved since the Millennium Summit. His delegation welcomed recent initiatives and decisions on a schedule for increasing ODA, so as to honour the commitment of 0.7 per cent by 2015. It also noted with satisfaction the additional commitments to increase assistance made by the Group of Eight at Gleneagles to about $50 billion a year by 2010 and to double aid for Africa. Aid should not be conditional, and developing countries should, in the exercise of their sovereignty, be responsible for their own national development strategies.

90. Other sources of financing for development must also be considered. The different debt-relief initiatives for heavily indebted countries, such as the Heavily Indebted Poor Countries (HIPC) Initiative, were commendable. Only 18 of the 38 eligible countries had managed to reach the completion point in 2005. His delegation also welcomed the decision of the Group of Eight to cancel the outstanding debt of those 18 countries. Those initiatives, however, would only alleviate the debt of the beneficiary countries but would not solve the problem of the need for liquidity to finance development; increased aid was needed.

91. Current WTO negotiations and the forthcoming Ministerial Conference in Hong Kong should reaffirm and reinforce the development dimension of the Doha Development Agenda. The elimination of agricultural subsidies on the part of developed countries and increased opening up of markets to products from developing countries would enable those countries to mobilize substantial resources for the struggle against hunger and poverty. A one per cent increase in the developing countries' share in international trade would generate financial flows well above the $50 billion committed for ODA. An open, fair, equitable and non-discriminatory world trade system was essential.

92. Innovative sources of financing should be used to fight hunger and poverty and deal with pandemics.

93. **Ms. Laohaphan** (Thailand) said that her delegation welcomed the positive initiative in the area of debt relief and cancellation but remained cautious about its practicality and the modalities for effective implementation. It must not compromise the ability of

the developed partners and the international financial institutions to continue to provide grants and concessional loans to developing countries. The initiative should be extended, where appropriate, to financially handicapped low-income and middle-income countries facing serious debt burdens.

94. Developing countries must make the best use of the released resources, through adoption of sound and sustainable national development strategies. Measures such as enhanced tax collection efforts, transparent management of public expenditure and prioritization of public investment to build up overall economic capacity were necessary to create a strong foundation for future growth.

95. In 2002, the Association of Southeast Asian Nations (ASEAN) had launched the Asian Bond Markets Initiative aimed at utilizing regional savings in financing development, not only in Asia but also the rest of the world, especially in the developing world. In 2003, key Asian central banks had established two Asian Bond Funds with capital of $3 billion. The next step would be to issue regional-currency-denominated bonds.

96. ODA should be directed to the specific needs of developing countries and delivered in a timely manner. Increasing the quality and effectiveness of aid was no less important than increasing its volume. In 2003, Thailand had contributed 0.13 per cent of its gross national income to ODA, and 90 per cent of that amount had gone to least developed countries. Her delegation welcomed the proposals to reduce conditionalities and to conduct an analysis of the social impact of ODA.

97. The issues of elimination of export subsidies, especially in agriculture, and reduction of trade-distorting measures and domestic support, as well as the matter of trade capacity-building, especially for least developed countries, should be given special attention at the WTO Ministerial Conference to be held in Hong Kong in December 2005. The high-level political message must be translated into concrete solutions at the Hong Kong meeting, making the Doha Development Agenda truly a development round.

98. Innovative approaches to securing additional financial resources for development were imperative for the achievement of the Millennium Development Goals. As reflected in the 2005 World Summit Outcome, further discussion was needed to broaden collective support and widen participation, including of private and business sectors. Global partnership and cooperation at all levels and by all stakeholders must be strengthened. In that context, South-South cooperation could deliver as much as North-South cooperation, and the two combined could make it possible to achieve the mutually agreed development goals.

99. **Mr. Al-Nasser** (Qatar) recalled that Qatar had offered to host the first review conference of the International Conference on Financing for Development in 2007. That invitation was the result of its full commitment to the international global partnership for development.

100. One of the elements of the Monterrey Consensus was infrastructure financing in developing countries, including human and institutional capacity-building and communications, transportation and construction. The mobilization of domestic resources, capacity-building to attract and encourage investment, the private sector, institutional capacity to organize trade, ability to negotiate, ability to service debt and the priorities of spending aid provided through ODA were also core issues of the Monterrey Consensus. The recent South Summit held in Qatar had accorded special importance to South-South cooperation; attempts to operationalize that cooperation could benefit from the expertise of developed countries in the field of cooperation and integration. The experience gained by the European Union in the field of economic integration was a case in point.

101. **Mr. Dall'Oglio** (International Organization for Migration (IOM)) stressed the link between migration and development. While the essential role of migrants as agents of development still needed to be factored into overall development strategies, the contribution of remittances as an important source of external finance for developing countries was generally recognized. Although not a substitute for development assistance, remittances usually increased in times of hardship and, for some countries, were more relevant than either FDI or ODA. It was reasonable to estimate that 15 to 20 per cent of their amount, in the presence of appropriate incentives, might be invested in the creation of small and medium-sized companies and in other economic activities. The international community appeared to be ready to discuss how best to enhance the development impact of remittances as a complement, not a

substitute, to the commitments reiterated at the Monterrey Conference.

102. The focus of the World Bank Global Economic Prospects 2005 on the role of remittances in poverty alleviation and development strategy was welcome. The development impact of remittances and remittance services would be the subject of a ministerial conference to be hosted by the Government of Benin in its capacity as Chair of the Group of Least Developed Countries, with the support of IOM and the United Nations High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in early 2006.

103. There were other areas in which migration could provide innovative forms of financing for development, tapping into the human and financial potential of diaspora communities. The International Organization for Migration's Return and Reintegration of Qualified Nationals programmes in Africa, Asia and Latin America had for many years sought to support the social and economic advancement of developing countries, to foster their national human resource development and to counter the negative effects of brain drain. More recently, IOM had launched the Migration for Development in Africa (MIDA) programme to assist governments to achieve their development goals though the mobilization of vital skills and resources (financial and other) of qualified nationals in the diaspora.

104. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), noted that the macroeconomic performance of several CARICOM countries had been unstable in recent years and said that the member States of the Community had sought to mitigate some of the challenges facing them through integration, in particular through the creation of a Single Market and Economy to facilitate competitiveness and social integration. Macroeconomic policies were thus increasingly important.

105. Caribbean Community countries were small, open and highly trade-dependent. Their exports were concentrated in a narrow range of goods and services which had previously enjoyed preferential access to key markets. However, those preferences, and even a long-term marketing contract which some had had for a main export (sugar), were being rapidly eroded by international policy action. The countries needed time and resources to adjust and restructure.

106. Since CARICOM countries were defined as middle-income countries, ODA to the region had been rapidly declining. Furthermore, while many were heavily indebted, having had to resort to commercial-type borrowing, there were no special arrangements for dealing with their debt. That had been the case even when, like Grenada in 2004 and 2005, export earnings had been wiped out by natural disasters.

107. As island and low-lying coastal States, CARICOM countries were extremely vulnerable to natural disasters arising from changes in climatic conditions. Economic assets, infrastructure and, in some cases, communities had had to be rebuilt. Emergency periods were usually met with good international responses, but the reconstruction effort was left to the countries. At the same time, international insurance and reinsurance had become increasingly expensive or unavailable. The economic dimension of natural disasters had to be made an integral part of development policies for such countries.

108. The small Caribbean countries had traditionally lacked highly trained personnel, and their skilled persons had been highly mobile. Many of the experienced, trained personnel in key areas had been recruited by some of the most highly developed countries. Those same developed countries had been repatriating increasingly large numbers of Caribbean nationals who had run afoul of the law. Those policies placed considerable stress on the already scarce financial resources of the CARICOM countries.

109. The Caribbean region was unfortunately one of the most heavily HIV/AIDS-afflicted areas in the world. It acknowledged that the response of the international community had been strong, and a very effective partnership had been forged. The pandemic, however, continued to cause a loss of resources and to affect that segment of the population that was most vital for economic growth and development and thus for the achievement of the Millennium Development Goals.

110. The role of developing countries in shaping international macroeconomic, development, finance and trade policies deserved attention. The report of the Secretary-General on the international financial system and development (A/60/163) acknowledged that there had been little progress on the crucial issue of participation of developing countries in decision-

making. CARICOM therefore encouraged urgent action to redress systemic gaps and ensure the involvement of developing countries in decision-making at the global level. As part of the efforts to meet the Monterrey commitment, there was also a need for new and additional resources and a more comprehensive approach to the issue of debt sustainability.

111. The CARICOM countries had long called for a special focus on the peculiar conditions of small, vulnerable economies. They hoped that the recognition at last given at the 2005 World Summit would be made operational during the sixtieth session of the General Assembly and in other relevant international forums.

112. **Ms. Interiano** (El Salvador), **Ms. Nieto** (Ecuador), **Mr. Briz** (Guatemala), **Mr. Massieu** (Mexico) and **Ms. Alemán** (Peru) stressed that remittances should not be seen as a mechanism for development. Although they could be used to facilitate productive activities, remittances belonged to the private individuals to whom they were sent.

The meeting rose at 6.15 p.m.

United Nations A/C.2/60/SR.11

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Summary record of the 11th meeting
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Chairman: Mr. Wali ..... (Nigeria)
later: Mr. Hart (Vice-Chairman) ..... (Barbados)

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05-55055 (E)

The meeting was called to order at 11.10 a.m.

Agenda item 50: Macroeconomic policy questions *(continued)*

(a) **International financial system and development** *(continued)* (A/C.2/60/L.2)

(b) **External debt crisis and development** *(continued)* (A/C.2/60/L.3)

Introduction of draft resolutions A/C.2/60/L.2 and L.3

1. **Ms. Mills** (Jamaica), speaking on behalf of the Group of 77 and China, introduced draft resolutions A/C.2/60/L.2 entitled "International financial system and development" and A/C.2/60/L.3 entitled "External debt crisis and development". She expressed the hope that consensus would be reached on the texts, which attempted to build on the considerable progress achieved since the beginning of the year, culminating in the World Summit Outcome adopted by the General Assembly in September.

2. In the third preambular paragraph of draft resolution A/C.2/60/L.2, the words "United Nations" should be inserted before "2005". In paragraph 2, the word "noting" and the preceding comma should be deleted. The word "for" before the words "developing countries" in paragraph 6 should be replaced by the word "on". At the end of paragraph 10, the words "the Conference" should be replaced by the words "the United Nations Conference on Trade and Development".

3. Turning to draft resolution A/C.2/60/L.3, she said that in the seventh preambular paragraph, the words "noting also that many" should be deleted. In the ninth preambular paragraph, the word "will" should be inserted instead of "would". In paragraph 4, the words "also reiterates" should be deleted. In paragraph 8, the phrase "inasmuch as debt relief often results in a swap of fiscal expenditures in domestic currency" should be moved to the end of the paragraph, replacing the words "inasmuch as" with the word "because". In paragraph 10, reference should be made to "Debt for Equity in Millennium Development Goal Projects". In paragraph 14, the word "and" between the words "debtors" and "official" should be deleted. Lastly, in paragraph 19, the word "and" after the word "institutions" should be replaced by "as well as".

Agenda item 51: Follow-up to and implementation of the outcome of the International Conference on Financing for Development *(continued)* (A/60/209 and Add.1, A/60/219 and A/60/311)

4. **Mr. Amoros** (Cuba) deplored the fact that the poor countries continued to pay over $450 billion a year to the rich countries for debt servicing and $100 billion a year in tariffs for their products to have access to developed country markets, while the latter paid their farmers over $300 billion a year in subsidies. Meanwhile, only modest progress had been made in respect of ODA, which was barely 0.25 per cent of the gross domestic product of developed countries. Despite the recent commitments to increase ODA to the South, including the setting of timetables to achieve the target of 0.7 per cent by 2015, there was no guarantee that developing countries would indeed receive the $150 billion dollars required to achieve their Millennium Development Goals by the deadline, nor that ODA would result in real increases of financial resources for development.

5. It was crucial, in that regard, to establish a follow-up mechanism for ODA commitments in order to ensure transparency and accountability in evaluating the implementation of objectives in the area of financing for development. Furthermore, in the resounding failure of the economic and political models imposed on the countries of the South showed, poor countries required a policy space where their social and economic priorities could be developed. Strict respect for States' sovereignty was the only way to create a political development cooperation and to guarantee that financial assistance was used effectively. His delegation was disappointed at the meagre treatment given to the 2002 World Summit Outcome on the all-important topic of developing innovative sources of financing. Further progress was required with regard to the implementation of proposals on the special drawing rights and levies on financial speculation and carbon emissions. However, such alternative sources of financing should not be seen as replacing traditional commitments with regard to ODA and other related issues.

6. Indeed, it was important to fulfil those commitments, which comprised areas of high priority to developing countries such as the external debt, foreign direct investment and trade, in order to address the underpinning causes required by the current international financial system. Practices such as trade

barriers, conditionalities for assistance and unilateral coercive economic measures, such as the unjust and illegal United States economic, financial and trade embargo against Cuba for over 40 years, should be banned if any real progress was to be made in implementing the financing for development agenda and in achieving genuine international cooperation.

7. **Mr. Malanda** (Congo) said that the international community must continue to seek further support for the Monterrey commitments in order to garner more resources for the achievement of the Millennium Development Goals. In light of the outcome of the second High-level Dialogue on Financing for Development and of the 2005 World Summit, it was important to achieve significant results ahead of the first follow-up conference to the Monterrey Conference to be held in Qatar in 2007. All initiatives taken or announced with regard to ODA must be encouraged.

8. The Monterrey Consensus had called for countries to take more control of development by making better use of their resources. Accordingly, his Government had prepared a poverty reduction strategy paper (PRSP) which focused on the establishment of macroeconomic balances, combating child mortality and pandemics such as HIV/AIDS and sickle cell anaemia.

9. He hoped that the Congo's PRSP would be quickly approved in order to make it eligible for the Heavily Indebted Poor Countries (HIPC) Initiative. His country was committed to the implementation of Agenda 21 and the Johannesburg Plan of Action. However, implementation of the Plan would depend to a large extent upon the establishment of a truly global partnership. The recent Brazzaville summit on the Congo Basin was consistent with that goal.

10. **Mr. Kittikhoun** (Lao People's Democratic Republic), speaking on behalf of the group of landlocked developing countries, said that efforts undertaken by those were frustrated by a lack of economic growth. Prohibitive transport and transit costs, narrow resource bases and small domestic markets were not attractive to foreign investors. Furthermore, those countries also paid steep prices for imports. Landlocked developing countries therefore needed an increase in ODA and FDI. He welcomed the establishment of a timetable by the European Union to reach the agreed ODA target of 0.7 per cent by 2015 and urged those donors that had not done so to follow suit. While he hailed the additional commitments made by the Group of Eight to increase ODA by about $50 billion a year by 2010, he hoped that all least developed countries and landlocked least developed countries would benefit from that aid package. Furthermore, aid must be untied. ODA should be geared towards supporting national development priorities, while innovative and additional sources of financing for development were worth exploring.

11. He pointed out that trade could serve as an engine for sustained growth and development and called for an equitable conclusion to the Doha Development Round. Particular attention must also be given to products of special interest to landlocked developing countries as set out in the Almaty Programme of Action. The landlocked least developed countries would pursue their common position as outlined in the Asuncion Platform for the Doha Development Round. Despite some progress, the objectives of the Almaty Programme of Action were unlikely to be attained without adequate financial and technical assistance from the international community. He therefore appealed to all stakeholders and development partners to live up to their commitments under the Almaty Programme of Action. In that regard, an empowered and effective Economic and Social Council could play a crucial role in coordinating policies with international financial, monetary and trade institutions.

12. **Mr. Atiyanto** (Indonesia) said that the international community had still not fulfilled its development financing commitments. The distressing situation of the Asia-Pacific region had been highlighted during the Regional Ministerial Meeting on the Millennium Development Goals held in Jakarta in August. The region contained two thirds of the world's poor: strong political will and bold, decisive action were needed to achieve sustainable development and eradicate poverty. Regional partnership and cooperation would be crucial to enable many countries to achieve the Goals.

13. Optimum ways of mobilizing domestic and international financing resources for development should be identified and greater coherence fostered between the multilateral development agencies and the multilateral financial and trading system. Innovative mechanisms for development financing should be explored, but must never replace ODA. The main responsibility for development lay with developing countries, but domestic efforts required a supportive

international framework. Indonesia's strategy for national development was pro-growth, pro-employment and pro-poor. It sought to increase its growth rate by maintaining macro-economic stability, fiscal sustainability and financial sector reforms.

14. Indonesia welcomed the timetables set by some donor countries to achieve the 0.7 per cent ODA target and hoped that more would follow suit. An increase in ODA should be complemented by an increase in the absorption capacity of the recipient countries and international aid should include efforts to enhance capacity-building to manage ODA.

15. The successful conclusion of the Doha Round would provide a key input to development; developed countries should apply differential treatment to developing countries, increase market access and reduce subsidies for their agricultural products. Donor countries needed to do more to relieve the external debt burden of both the heavily indebted poor countries and other developing countries. Lastly, implementation of the Monterrey Consensus was very important and Indonesia appreciated the offer of the Government of Qatar to host a follow-up meeting to the International Conference on Financing for Development.

16. *Mr. Hart (Barbados), Vice-Chairman, took the Chair.*

17. **Mr. Massieu** (Mexico) welcomed recent initiatives to increase development financing. Nevertheless, all the Monterrey Consensus commitments needed to be fulfilled and progress should be made in mobilizing both national and international resources for development in the two vital areas of trade and international economic governance. The Consensus was an essential tool to fulfil the commitments made at other United Nations conferences and summits, but was also an end in itself, since it contained commitments to promote development and was the embodiment of the global development alliance.

18. The Second Committee must define the agenda of an international conference to review implementation of the Monterrey Consensus. The conference should not try to renegotiate previously agreed commitments, but target implementation and the definition of priority actions. The latter could include actions designed to maximize the private sector's impact on development, measures to ensure the effectiveness of development assistance, and an increase in civil society's role in the follow-up to the conference. Ways to improve institutional monitoring could also be examined, while indicators could be established to measure progress in hard-to-quantify areas such as good governance and the rule of law.

19. **Ms. Grindlay** (Australia) said that the integrated approach of the Monterrey Consensus, requiring a partnership between developed and developing countries, was essential to achieve progress towards the Millennium Development Goals. Sustainable, broad-based economic growth was the key to reducing poverty and raising living standards, as demonstrated by the experience of East Asia. The impressive rates of economic growth and poverty reduction in that region illustrated the enormous benefits of sound economic policies and pro-growth reforms. Conversely, the Pacific region was off-track in achieving almost all the Goals; accordingly, the Australian aid programme focused on that area. Australia supported an integrated approach to development financing which mobilized domestic resources, facilitated FDI, pursued trade liberalization and increased effective ODA.

20. Aid had a key role to play in poverty reduction; by 2010, Australian ODA would be double its 2004 levels. However, increased aid would be conditional on strengthened governance and reduced corruption in recipient countries. Coordinated and effective aid efforts should take place through instruments adapted to the circumstances of individual countries. Financing increases in ODA through traditional means was simple, cost-effective and transparent. Australia would therefore not participate in the International Finance Facility and global tax proposals. It also continued to support multilateral debt relief through the HIPC Initiative. However, aid would not be effective without good governance, which created the environment for private sector development and employment.

21. The Monterrey Consensus had identified the special needs of small island developing States. Australia fully supported the Mauritius Strategy and had increased its engagements substantially over recent years. Special challenges faced States in post-conflict situations and fragile States; disengagement from such States was not an option, but the nature of the engagement had to be integrated and innovative.

22. Trade liberalization was an engine for sustained global development; the highest priority should be given to concluding the Doha Round of trade

negotiations by 2006, particularly with regard to agriculture.

23. **Ms. Juul** (Norway) said the Monterrey Consensus had stressed that good governance and sound economic policies were preconditions for mobilizing domestic and international resources. To achieve the Millennium Development Goals by 2015, the United Nations had an important role to play in monitoring and reporting on developing and developed countries' progress and compliance with the Goals. Norway welcomed recent commitments to increase ODA and cancel debts; however, more progress had to be made towards increasing ODA to the target of 0.7 per cent.

24. Norway was a strong supporter of debt relief and the HIPC Initiative, but more was needed to achieve debt sustainability. Norway therefore supported the Group of Eight proposal for multilateral debt cancellation. The International Development Association (IDA) must have robust financial capacity; therefore, full donor compensation to IDA for lost reflows due to debt relief must be ensured, in addition to donors' regular contributions to the Association.

25. Norway supported the G-8 emphasis on good governance, accountability and transparency for securing the full benefit of debt cancellation. Further debt relief should not involve conditionality beyond that required by existing IDA arrangements. It was also in favour of debt reduction for middle-income countries with obvious repayment problems and supported the Evian-approach of the Paris Club under which countries not covered by the HIPC Initiative could obtain debt relief based on debt sustainability criteria. However, that type of debt relief should not be at the expense of the poorest countries. Multilaterally coordinated debt swaps for development projects were another possible form of debt relief for the countries concerned.

26. In future, prudent lending and borrowing should be ensured and systematic international cooperation to improve debt management in the poorest countries envisaged. The issue of debt work-out mechanisms was also an important part of debt sustainability considerations and merited further discussion. Debt relief should provide additional resources; ODA budgets should not be used to finance bilateral debt relief.

27. Lastly, the United Nations reform must be fully embraced by the developing countries themselves to promote harmonization efforts. While coordination and harmonization at the country level were important, coherence at the global level, between the intergovernmental organizations, should also be improved.

28. **Mr. Siv** (United States of America) said that financing for development was inextricably linked to the development-related aspects of the international financial system and of the external debt. The United States strongly supported and reaffirmed the Monterrey Consensus. As a result of rapid income growth in the large developing economies, roughly 70 per cent of the developing world's population was on track to meet the Millennium Development Goal on poverty reduction and many countries would probably achieve at least some of the Goals by 2015. With the right choices by all actors concerned, there was a good chance of reaching the goals that the international community had set for itself at Monterrey and in the Millennium Declaration.

29. Developing countries had primary responsibility for their development, and good governance was at the heart of the development process. The recent United Nations Convention against Corruption and the African Peer Review Mechanism of the New Partnership for Africa's Development (NEPAD), as well as an ongoing initiative to support economic reform and growth in the broader Middle East and North Africa, were examples of efforts to improve governance. Many more such initiatives were necessary.

30. Domestic resource mobilization deserved at least as much attention as the multilateral issues of aid, trade and debt. Domestic resources represented a tremendous potential. According to the report of the United Nations Commission on the Private Sector and Development entitled "Unleashing Entrepreneurship: Making Business Work for the Poor", developing countries held $US 9.4 trillion in private financial assets that could not be fully mobilized for development. That was the result of corruption and inadequate legal protections for property and contracts. Competitive markets, effective property rights and the rule of law benefited the poor. Through the Millennium Challenge Corporation (MCC), the United States supported the poorest countries' efforts to govern justly, invest in their people and encourage economic freedom. Proposals for assistance from the Millennium

Challenge Account (MCA), the mechanism implementing MCC, were being prepared by 17 countries, including eight in sub-Saharan Africa. MCC had so far committed over $900 million in compacts with Madagascar, Honduras, Cape Verde, Nicaragua and Georgia.

31. The United States had exercised leadership in the Doha Round and concluded free trade agreements with many developed and developing countries. The next milestone would be the Sixth WTO Ministerial Conference. The United States would remove all agricultural subsidies as soon as other countries were willing to do the same. In July 2005, the G-8 leaders had committed to cancelling fully the debt owed by eligible Heavily Indebted Poor Countries (HIPCs) to the major international financial institutions, promoting good and responsive government and investing in people, including through a substantial ODA increase. ODA provided by the United States had almost doubled between 2000 and 2004, when, at $US 19 billion, it had amounted to almost a quarter of all assistance extended by the developed countries. United States assistance to sub-Saharan Africa had nearly tripled since 2000 and would double again by 2010.

32. **Mr. Grigore** (Republic of Moldova), speaking on behalf of the GUAM States, namely Azerbaijan, Georgia, Moldova and Ukraine, said that development was a priority for the member States of the Union. To implement the Monterrey Consensus, it was necessary to build on the provisions of the Outcome of the 2005 World Summit, taking into account inter alia the specific concerns of economies in transition. The High-level Dialogue on Financing for Development, held in June 2005, and the World Summit had provided encouraging signs of progress but much remained to be done.

33. The GUAM States had adopted sound national macroeconomic policies that promoted growth and improved the investment climate and as a result had in recent years made significant progress in terms of economic performance and advances towards the Millennium Development Goals. Further efforts were under way to promote financial stability and implement structural policies conducive to the development of the private sector. Integration of the Millennium Development Goals into national development plans, good governance, transparency and accountability in public administration and expenditure management, and combating corruption were necessary for mobilizing domestic and external resources. Accordingly, some GUAM States were in the process of ratifying the United Nations Convention against Corruption.

34. Since FDI and other private flows were critical to their growth, the GUAM States welcomed provisions in the Outcome of the 2005 World Summit that encouraged such flows, and would further improve their business environment and legislative and regulatory framework with a view to opening up new investment opportunities. Moreover, in accordance with the Paris Declaration on Aid Effectiveness, it was necessary to enhance the quality and effectiveness of foreign aid by aligning it with national development priorities and harmonizing aid from various donors to ease the administrative burden on recipient countries. Since new and innovative financing mechanisms could increase the volume and predictability of resources, the GUAM States supported the International Finance Facility, the Initiative against Hunger and Poverty and the New York Declaration on Innovative Sources of Financing for Development. They also supported action to reduce the cost and maximize the development impact of migrant remittances.

35. A stable international financial system was essential to sustained and broadly shared development, while efficient resource allocation had an impact on financial flows from and to developing countries and economies in transition. The increase in net financial outflows from that group of countries and the fact that the multilateral financial institutions had become net financial transfer recipients were a cause of grave concern. Effective measures were needed to reverse that trend and address the high volatility of external financial flows. The international financial architecture should be strengthened, especially with regard to financial crisis prevention and management. Surveillance of national macroeconomic and financial policies was crucial to crisis prevention and IMF should continue to review its own effectiveness in that area. Effective surveillance required a country-specific approach. Furthermore, the participation of developing countries and economies in transition in international economic decision-making should be enhanced in keeping with the Outcome of the 2005 World Summit.

36. External debt servicing was a serious challenge to developing countries and economies in transition, especially in Africa. The Evian approach was an appropriate way of addressing the negative impact of

the debt burden on the development of middle-income countries. Trade not only broadened opportunities for growth, development and employment, but also contributed to the integration of economies in transition into the world economy. Accordingly, the sixth WTO Ministerial Conference should lead to a more open, transparent and non-discriminatory multilateral trade system and strengthen the development dimension of the Doha Round.

37. Accession of countries in transition to WTO should be facilitated, and their development status should be taken into consideration along with any country-specific geographic disadvantages. The High-level Dialogue on Financing for Development provided a basis for improving domestic and international policies. The Second Committee should address modalities for further review of the Monterrey Consensus.

38. **Mr. Silva** (Cape Verde) said that the hope aroused by the Monterrey Consensus had begun to fade in view of failure to fulfil national and international commitments. The developing countries had implemented many of the recommendations of the Monterrey Consensus and they displayed many of the characteristics considered important for mobilizing domestic and international resources for development. However, they would fall short of achieving development goals unless international commitments were met. Particular attention should be paid to least developed countries, landlocked developing countries and small island developing States. Through steps to encourage good governance, transparency in public affairs, accountability, prudent macroeconomic policies, private sector activity and the rule of law, Cape Verde had achieved a measure of success in mobilizing domestic financing but failed to attract any significant foreign direct investment, presumably because of insufficient infrastructure, such as roads, ports and airports.

39. Nevertheless, hope was reviving in view of new South-South cooperation initiatives and recent steps taken by developed countries in the areas of assistance and debt, such as the outcome of the Paris High-Level Forum on Aid Effectiveness and the G-8 decision to cancel 100 per cent of the debt of some heavily indebted poor countries to the international financial institutions, a measure that should be extended to other countries. Through the Millennium Challenge Account (MCA), Cape Verde received valuable support for creating or improving its infrastructure in order to attract foreign investment. Developing countries needed much more cooperation of that kind. It was encouraging that some donors, mainly European Union members, were achieving the ODA 0.7 per cent target or planned to reach it by 2015. Cape Verde urged other developed countries to do the same. Moreover, the target of ODA to least developed countries equal to 0.15 to 0.20 per cent of GDP should be met by 2010. The Sixth WTO Ministerial Conference and deliberations for further democratization of the Bretton Woods institutions could contribute to the attainment of international development goals, including the Millennium Development Goals. Cape Verde welcomed Qatar's offer to host the Monterrey follow-up conference in 2007.

40. **Mr. Mejbre** (Libyan Arab Jamahiriya) said that the mobilization and effective use of financial resources for development were key to the global partnership for the achievement of such objectives as the Millennium Development Goals. In that connection, he appealed to those States which had not yet already done so to follow the commendable example of those which had already achieved or set a timetable for the ODA target. He also welcomed the regional and global initiatives aimed at seeking new sources of financing for development, in particular the efforts of the Organization for Economic Cooperation and Development (OECD) and the Group of Eight and the European Union to strengthen ODA effectiveness in Africa through annual aid packages lasting until 2010. It was important to address the special needs of Africa, the only continent seemingly incapable of achieving any of the Millennium Development Goals by 2015, by supporting and mobilizing resources for the programmes of the New Partnership for Africa's Development (NEPAD) in its identified priority sectors and promoting United Nations efforts for peace and security, as well as by helping to tackle such diseases as AIDS and malaria through, inter alia, encouraging companies to produce suitable priced medicines for use in Africa. It was also important to support the biennial High-level Dialogue of the General Assembly on Financing for Development and the meeting of the Economic and Social Council to follow up the outcome of the International Conference on Financing for Development with the three major stakeholders, in which connection he welcomed the generous offer by Qatar to host the conference for review of the Monterrey Consensus in 2007.

41. **Mr. Abdul Majid** (Iraq) welcomed the initiative of the European Union to set a timetable for achieving the ODA target of 0.7 per cent of gross national product (GNP) by 2015. In low- and middle-income developing countries, resources that could be invested for development were instead being used for debt-servicing, which was a serious problem. He therefore hoped that the welcome initiative of the Group of Eight to cancel the debts of the world's 18 most heavily indebted poor countries would be extended to include other countries. He also hoped that the Sixth WTO Ministerial Conference, to be held in Hong Kong in December 2005, would outline a global trade system that provided fair and unrestricted access to markets in the advanced countries for goods from the developing countries.

42. His own country remained in difficult circumstances owing to the misguided policies of the former regime. It therefore looked forward to support from the international community in rebuilding its economy and infrastructure, particularly since it had the world's second largest oil reserves and a new national leadership that was working to restore the country to its natural place in the international community, stabilize the economy and achieve development targets. He urged donor States to fulfil the commitments made for Iraq's reconstruction. Lastly, he welcomed Qatar's offer to host the next conference to review the Monterrey Consensus in 2007.

43. **Mr. Fomba** (Mali) said that poverty reduction was a shared responsibility. Generally speaking, developing countries had made encouraging progress in terms of governance, economic liberalization, public finances reform and combating corruption. At the same time, ODA had again begun to increase as a percentage of the GDP of developed countries, in some cases reaching or exceeding the target of 0.7 per cent (and 0.15 per cent with respect to least developed countries). Moreover, debt relief measures had been taken. They included the recent G-8 decision on the cancellation of debt owed by 18 heavily indebted poor countries, among them Mali. That measure should also be applied to bilateral debt.

44. Despite such significant steps, progress with regard to poverty reduction was still insufficient and many countries, such as Mali, were still far from attaining the Millennium Development Goals. Mali had expected to mobilize 5265 million in national savings over five years, but it had fallen short of the growth required to that end, mainly because of the international economic situation and natural calamities, such as inadequate rainfall and the locust invasion. Since more than half of the Malian population still lived on less than one dollar a day, there was little opportunity to save. Moreover, poor countries lost substantial export income because of agricultural subsidies in the rich countries. For instance, Mali had decided to develop the cotton sector, where it enjoyed a comparative advantage. Because of agricultural subsidy policies, however, cotton prices had been plummeting. Consequently, instead of becoming a source of funds for poverty reduction, the Malian cotton sector actually generated poverty.

45. The volume of FDI was inadequate. Despite extensive efforts to improve the business environment by reforming the legal framework, simplifying investment legislation, adopting one-stop shopping, providing incentives and reducing taxes and other charges, FDI to Mali had failed to increase. In order to attract more foreign capital, countries like Mali should strengthen their basic infrastructure and human resources capacities, and to that end needed considerable financial support. In view of such requirements, new sources of financing should be envisaged. Mali therefore supported initiatives such as the International Finance Facility, Action against Hunger and Poverty and the pilot project for an airline ticket tax. Mali also supported strengthening the participation of developing countries in international economic decision-making, particularly in the Bretton Woods institutions, and making the international financial markets more transparent in order to render them more accessible to poor countries. Lastly, South-South cooperation was an important complement to North-South initiatives in the area of financing for development and should receive stronger support from the United Nations system.

The meeting rose at 12.10 p.m.

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Chairman: Mr. Wali (Nigeria)

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05-55928 (E)

Swaziland, the Syrian Arab Republic, Tunisia and Zambia.

Draft resolution on assistance for humanitarian relief and the economic and social rehabilitation of Somalia (A/C.2/60/L.8)

11. **Mr. Abdi** (Somalia) introduced the draft resolution. The need for humanitarian assistance in war-torn Somalia had become even more urgent with the recurrence of drought and, more recently, the devastating effects of extreme cold spells. Some parts of the country were experiencing drought for the fifth consecutive year, and extremely cold temperatures, accompanied by strong winds, had resulted in the deaths of 50 to 60 per cent of surviving livestock in the north-east. Increased poverty had, in turn, caused the number of internally displaced persons to swell.

12. As Member States were aware, the economic and social infrastructure of Somalia had been decimated by long years of civil unrest. Rehabilitation of the country's economic and social base would facilitate the delivery of much-needed services to the Somali people and, ultimately, the transition to peace made possible by the successful reconciliation process and the formation of the country's first all-inclusive government of national unity.

13. The 2004 tsunami had killed 300 Somalis, displaced 55,000 people and altered the geographical outline of the country's north-eastern coast. It had also aggravated the impact of nuclear and toxic waste illegally dumped along the Somali coastline, an issue that had both legal and moral connotations. He questioned, in particular, the negotiation of a hazardous waste disposal contract with entities bent on financial gain and the exploitation of natural resources in the midst of a protracted civil war.

14. He hoped the draft resolution would be adopted by consensus.

Agenda item 125: Programme planning (A/60/16, sections C.1 and C.2, chapter III)

15. **The Chairman** said that the General Assembly, in its resolution 54/236 and paragraph 4 of Section III of resolution 53/242, had decided that the Second Committee should review recommendations contained in the report of the Committee for Programme and Coordination (A/60/16) relating to its work and take appropriate action.

15. Accordingly, the Committee must consider the recommendations contained in chapter III of the report, namely section C.1 entitled "Evaluation of linkages between headquarters and field activities: a review of best practices for poverty eradication in the framework of the United Nations Millennium Declaration" (paras. 131 to 139) and section C.2 entitled "In-depth evaluation of the United Nations Human Settlements Programme" (paras. 151 to 158).

16. Those two sections were relevant to the Committee's work under agenda item 53 on implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat) and item 56 on eradication of poverty and other development issues.

17. Mr. Lee, Chief of the Poverty Eradication and Employment Section of the Division for Social Policy and Development of the Department of Economic and Social Affairs, Ms. Gebre-Egziabher, Director of the United Nations Human Settlements Programme (UN-Habitat) in New York and Mr. Yee Woo Gun, Chief of the Evaluation Section of the Office of Internal Oversight Services were present at the meeting to answer delegations' questions on those two issues.

18. **Ms. Mills** (Jamaica), speaking on behalf of the Group of 77 and China, said that the Group attached particular importance to the content of paragraph 137 under section C.1. The Committee for Programme and Coordination had acknowledged that the report did not devote sufficient attention to coordination between the United Nations and national Governments. She called for stronger efforts to harmonize the Organization's initiatives with the needs and priorities of individual countries. That issue should be highlighted in future.

19. Beyond merely taking note of General Assembly resolution 59/250 on the triennial comprehensive policy review, Recommendation 9 in the corresponding report of the Office of Internal Oversight Services (E/AC.51/2005/2) should have emphasized more strongly that that resolution laid down the guidelines for strengthening the capacity of the resident coordinators.

20. **Mr. Seth** (Secretary of the Committee) said that the comments made by the representative of Jamaica, on behalf of the Group of 77 and China, would be included in a letter from the Chairman to the Chairman of the Fifth Committee on the Committee's

consideration of the report of the Committee for Programme and Coordination.

Agenda item 49: Information and communication technologies for development (A/60/11 and A/60/323)

21. **Mr. Herman** (Senior Advisor on Information Management Policy Coordination, Secretariat of the Chief Executives Board for Coordination), introducing the report of the Secretary-General on information and communication technologies for development: progress in the implementation of General Assembly resolution 57/295 (A/60/323), said that the organizations of the United Nations system had made considerable progress since the adoption of the resolution in utilizing those technologies effectively. The resolution also stressed the need to use technology to create a seamless collaborative environment among all bodies of the United Nations system. Considerable progress had been made in that direction, including the adoption of the United Nations system ICT strategic framework, created by the ICT Task Force describing the principles for moving towards a unified technology environment. More recently, the ICT Network had identified and was pursuing initiatives to implement the framework.

22. One impediment was the diverse nature of the United Nations system: although commonalities existed, each organization confronted its own unique mandate-driven objectives and one size did not fit all.

23. Another obstacle was the problem of sunken cost. United Nations organizations had invested heavily in their technology infrastructures and operational systems and were understandably reluctant to dismantle functioning, costly systems simply for the sake of change. Moreover, changing systems always required additional investment, even in situations where savings might result in the future. Furthermore, no facility existed to assist organizations with the financial and administrative burden of changing ICT systems in order to align themselves with other organizations. Many organizations would need to justify such expenses to their governing bodies and would need to demonstrate quantifiable and concrete benefits for such system changes.

24. Although organizations performed many of the same tasks, they carried them out differently and had built slightly different systems and accompanying support processes. To align a computer system across all or even many organizations first required aligning the business operations that drove those systems. That was an operational leadership challenge, not a technical one. The ICT Network was leading a discussion of the possibility of creating a single human resources and payroll capability across the system by addressing the human resources, finance and ICT issues.

25. Such challenges were a reminder that calls to harmonize and integrate ICT activities must be viewed as calls to harmonize and integrate operational and administrative activities. The ICT leadership could identify opportunities for efficiencies but the administrative and programme leadership had to embrace the changes required to move from opportunity to reality.

26. **Mr. Chowdhury** (Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) said that ICT offered the least developed countries, landlocked developing countries and small island developing States opportunities for more effective participation in the digital global society and could enhance their productive capacity. Their lack of resources, human capacity and technology jeopardized their potential for sustainable development and underscored the need for the international community to provide them with support on a priority basis in order to enhance their ICT capacity.

27. Pursuant to Commitment 4 of the Programme of Action for the Least Developed Countries for the Decade 2001-2010, which called for building productive capacities to make globalization work for the least developed countries, those countries had committed themselves to articulating appropriate policies and measures and their development partners had committed themselves to providing financial, technical and other assistance, including facilitating access to or providing technology as part of their ODA. The commitments had been translated into measurable targets.

28. The Almaty Programme of Action identified trade facilitation as a priority. The broad application of modern information technology would facilitate the speedy movement of goods in transit. Landlocked developing countries would benefit from an improved

support to facilitate their access to fibre optic submarine cable systems.

70. Urgent measures should be undertaken to accord special treatment to small island developing States. Deliberate and prudent use of information technology would go a long way towards reducing the isolation of remote islands and would enable them to deal more effectively with a host of constraints, particularly in the areas of trade development, health, education, security and technology transfer.

80. He welcomed the African initiative to establish the Digital Solidarity Fund and the fact that 60 per cent of the project resources of the Fund would be devoted to the least developed countries. He hoped that contributions beyond those made by the founding members would be forthcoming.

81. **Mr. Hachani** (Tunisia) said that, while there was a more evident interest on the part of the international community in ICT, the global digital situation was evolving in a disproportionate and fragmented manner. The digital divide was the most endemic expression of poverty. The development of ICT had not benefited all countries equally and was continuing to deepen the digital divide between regions, social categories and individuals. Thus far, ICT had been much more a source of marginalization than a factor for integration. Used wisely and adapted to local contexts, it activated economic and human development and opened the way to partnership and investment. Increasingly, the integration of ICT as a strategic development instrument was no longer merely an option, but an imperative. For the developing countries, and in particular the poorest among them, the digital divide was more a problem of infrastructure and social investment than one of access. The challenge was therefore not merely technological but specifically socio-economic. ICT could not replace a genuine policy of development. Its integration within an international cooperation and partnership context was capable of activating the development process and enhancing its results.

82. Tunisia was convinced that the World Summit on the Information Society, the second phase of which it would be hosting in November 2005, was capable of providing an international response to the digital problem and bringing forward solutions that would meet the expectations of all elements of the international community and the goals of the Millennium Declaration. All actors — governments, civil society and the private sector — should make their own contributions to building an information society that was balanced and accessible to all.

83. Welcoming the progress made in establishing the United Nations system ICT strategic frameworks, he said that the cooperation between the ICT Task Force and the United Nations System Chief Executives Board for Coordination (CEB) should be enhanced in order to build on the synergies in designing and implementing technological solutions that were best adapted to the United Nations context.

84. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, said that ICT was vital to development and to harmony among States and peoples. However, those technologies and the policies which governed access and use to them had begun to contribute exponentially to widening the digital divide. He welcomed the work undertaken thus far to implement General Assembly resolution 57/295 and the efforts to that end made by CEB and its bodies, including the ICT Network and the ICT Task Force. The organizations of the United Nations system had demonstrated their commitment and capacity to further harness their diverse activities in the field of ICT, and his delegation looked forward to tangible results enabling the United Nations to build on its strengths in knowledge creation, knowledge management and knowledge sharing.

85. In particular, the delegations on whose behalf he was speaking welcomed progress in such areas as enhanced support for intergovernmental bodies and access for Member States and their Permanent Missions to online information and documentation, and he underscored their continuing interest in such online tools as a common search engine for the United Nations system and a more uniform e-mail transmission system.

86. All improvements in ICT infrastructure and access should serve the paramount objective of enhancing programme delivery and helping organizations of the United Nations system fulfil their mandates in a more coherent and effective manner. In that context, and given the new tasks entrusted to the Economic and Social Council by the 2005 World Summit in the respect of ensuring coordination and avoiding duplication, the Council should be more actively engaged in the process of developing and

implementing a comprehensive ICT strategy for the United Nations system.

37. The overall objective was to strengthen support for the implementation of the development agenda which had emerged from the 2005 World Summit and to use ICT as an instrument to accomplish that goal. The internationally agreed development goals of the United Nations were at the centre of the Declaration of Principles and the Plan of Action adopted during the Geneva phase of the World Summit on the Information Society. A multi-stakeholder approach was central to success in that area. He expressed the hope that the work of the Task Force would be pursued in the broader perspective of the integrated follow-up to conference outcomes in which the Economic and Social Council was again expected to play a central role.

38. The organizations of the United Nations system must work together through CEB to help transform the system into a knowledge-based system of organizations that could serve the cause of development and poverty eradication much more effectively.

39. The Group of 77 and China had given full support in the Doha Plan of Action to efforts to achieve the objectives of the World Summit on the Information Society, particularly those contained in the Declaration of Principles and the Plan of Action, and especially universal access to information and knowledge for all, democratic Internet governance and respect for cultural diversity and identity, linguistic diversity and local content. The delegations hoped that the Digital Solidarity Fund would play a very positive role in expanding access to ICT by developing countries. A number of critical issues remained to be negotiated at the forthcoming Tunis Summit, including equitable arrangements regarding Internet governance and the expansion of the role of developing countries. Development partners must demonstrate the will and flexibility to ensure that the World Summit on the Information Society created conditions enabling all developing countries to benefit from the potential of ICT. A supportive United Nations system and a well-designed and well-financed plan of action and appropriate policies adopted at the Summit would promote that objective.

40. **Mr. Shamanov** (Russian Federation) said that, with the rapid process of globalization ICT was increasingly important as a genuine instrument of socio-economic development, in the implementation of the Millennium Development Goals and in the provision of sustainable development, and as an important factor for stability and security in the world. Discussion of the issue within the General Assembly and the Economic and Social Council provided the necessary system-wide context for developing a coordinated approach to a series of issues related to the interconnection between ICT and development, overcoming the digital divide and the construction of an integrated global information society. Adequate socio-economic conditions must be created to bridge the gap between developed and developing countries in accordance with the Millennium Declaration and subsequent United Nations decisions. Other problems that stemmed from the "information revolution" included the vulnerability of the cybercommunity to crime and terrorism. Attention should focus on a comprehensive analysis of the problem as a whole and on the development of a careful and balanced assessment of intersectoral linkages.

41. The second phase of the World Summit on the Information Society, to be held in Tunis in November 2005, should reflect the interests and needs of all countries, decide on effective and targeted joint action with all parties concerned in the process of building an information society, and find ways fully to implement the potential of ICT in achieving the Millennium Development Goals. An important contribution was being made by the work under the auspices of the ICT Network of the United Nations System Chief Executives Board for Coordination (CEB) and the ICT Task Force. The Russian Federation had noted with satisfaction the progress made in creating the United Nations system ICT strategic framework and the transition to the practical stage of concrete initiatives to consolidate those frameworks.

42. The United Nations system, and particularly the ICT Task Force, should serve as a catalyst for the efforts of the international community to create conditions for equitable access to and full utilization of ICT by all countries. The Russian Federation valued the Task Force's work on the conceptual and practical elements of a comprehensive approach to resolving global issues involved in using ICT for the purposes of development and its increased collaboration with other key international players in the ICT field. The entire work of the ICT Task Force should be in strict conformity with its mandate, and should not duplicate

or replace the functions of the relevant institutions within the United Nations system, such as the International Telecommunication Union (ITU) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

43. **Mr. Poojary** (India) said that the information technology revolution presented an excellent opportunity for countries to increase the pace and scope of development and marked a significant shift in the relative importance of different resources and factors of production in the development process. The shift from material- to knowledge-based resources opened up vast opportunities for the developing countries to accelerate the pace of development. The greatest potential lay in the use of information technology to stimulate the development of other sectors of the domestic economy. Apart from generating new employment opportunities, the application of information technology could vastly and cheaply expand access to education, health care, markets, financial services, vocational skills, administrative services and other aspects of modern society. It could dramatically reduce the cost of communication, improve access to technology and marketing capabilities for the rural poor, eliminate exploitation by intermediaries in the production and distribution chains, increase government accountability and stimulate democratic participation.

44. His country's green revolution illustrated how the input of greater knowledge in the form of improved production technologies could rapidly increase the productivity of land. He cited statistics illustrating the very significant impact of information technology on the economy of his country and on society as a whole. His delegation believed that it was necessary to develop human resources through education in order to benefit from ICT. A new educational technology developed in India sought to achieve mass computer literacy at a cost that made it available to all children. Cultural differences notwithstanding, in other countries where the technology had been introduced — Cambodia, Egypt and South Africa — the benefits had been virtually identical and were highly appreciated.

45. Similarly, vocational training centres and information technology institutions that provided the specific skills demanded by the market played a pivotal role. The development of such skills attracted private investment, including foreign direct investment, and in turn contributed to economic growth and poverty reduction. It was important to utilize ICT to close the education gap that separated the world's most prosperous communities from their poorer cousins.

46. Given the pace of revolutionary change in the field of ICT, the digital divide was widening daily, demonstrating the urgency of concerted action by the international community. Inexpensive ICT developed in India was being shared with other developing countries, and his country was also extending technical assistance to a number of developing countries to help them develop information technology infrastructure, networking, and e-governance systems. Within three years, all African nations would be in a position to benefit from a connectivity project his country had recently launched. He underscored the value of e-commerce in removing geographical barriers and creating opportunities for small and medium-sized enterprises to extend their reach and secure new customers in ways formerly restricted to much larger firms. He also emphasized the vital importance of information security and noted that his country had developed guidelines to enable the banking and financial sectors to implement information security management systems. The World Summit on the Information Society should examine the question of information security more comprehensively than it had in the past.

47. The United Nations system had a crucial role to play in enabling ICT to promote the development efforts of developing countries. Development agencies should allocate sufficient resources to support the deployment of ICT in the developing world. Industry could contribute by developing more efficient, user-friendly and affordable technologies to bring ICT within the reach of millions. His delegation was confident that the ICT Task Force would facilitate the introduction of specific programmes to provide technical and financial support for capacity-building to developing countries.

48. **Mr. Moret** (Switzerland) said that ICT promoted sustainable development, empowerment and poverty reduction, and had an essential role to play in the implementation of the Millennium Development Goals. To maximize the contribution of ICT, however, governments, donors and other decision makers should shift their attention from bridging the digital divide to developing strategies specifically focused on helping the poor. An environment favourable to ICT had to be created, with a clear legal framework that respected

freedom of expression, diversity and the free flow of information, as well as the necessary infrastructure, and the target population had to have attained an adequate level of education. Competition was essential because lower prices would enable more people to have access to ICT. It was important to incorporate the latest technological advances, both in order to keep costs low and to ensure that the solutions adopted would be simple and appropriate to their context. Projects based on ICT had to be financially, environmentally and socially sustainable.

49. Additional investment was needed to achieve the Millennium Development Goals. Although it was essential to mobilize private capital, that was possible only if the appropriate regulatory framework and infrastructure were in place and if there was a prospect of earning a return on the funds invested. Governments, civil society and the private sector all had their roles to play.

50. The success of the first phase of the World Summit on the Information Society had been in large measure attributable to the fact that civil society and the private sector had taken an active part, in an atmosphere of openness and mutual respect. To build on the work done in the first phase, further progress was needed in three areas: the financing of ICT for development projects; Internet governance; and the follow-up and implementation of the documents prepared in Geneva, particularly the Plan of Action, at the national, regional and international levels, and particularly in the least developed countries.

51. **Mr. Atiyanto** (Indonesia) said that the use of ICT should achieve greater development in developing countries and the Millennium Development Goals. The digital divide should be turned into a digital opportunity in order to facilitate achievement of the Goals and the eventual integration of developing countries into the global economy. That would not happen unless all societies shared the same opportunities, particularly in terms of access to the information needed for their development. The transfer of technology as part of the process of globalization had not so far proved as beneficial as it might have been, and far too often developing countries had been provided with outdated technology which prevented them from being competitive in the global economy. That practice should cease and there should be widespread promotion of ICT education and training in developing countries. International cooperation should be extended and resources pooled for the betterment of all people. The establishment of the United Nations system ICT strategic framework was encouraging, and it was to be hoped that such developments would enable the United Nations to build capacity in developing countries to use ICT for the achievement of the Millennium Development Goals.

52. Cooperation at the global level should be complemented at the regional level in order for the digital divide to be bridged. In that context, the Fifth Telecommunications and Information Technology Ministerial Meeting of the Association of South-East Asian Nations (ASEAN), held in Viet Nam in September 2005, had reaffirmed the region's commitment to building a connected, vibrant and secure community, as well as integration of the e-ASEAN sector by 2010. An agenda to accelerate the development of online services and applications and to boost electronic transactions among citizens, businesses, industries and governments in the region had been adopted. Another project of ASEAN countries was to build the information society and enhance the region's connectivity and competitiveness through the ASEAN ICT Focus 2005-2010.

53. The international community must play a greater role in creating favourable conditions for ICT to increase productivity, generate economic growth, create jobs and improve the quality of life for all. Indonesia therefore had high expectations for the second phase of the World Summit on the Information Society and hoped that progress would be made in reaching equitable arrangements for Internet governance, with an expanded role for developing countries.

54. **Mr. Limon** (Suriname) said that ICT was needed to support socio-economic development, and that access to ICT was critical in building the information society. Access alone was not sufficient, however, as there was also a need to develop the necessary skills to make full use of ICT, and to move beyond merely accessing information to creating knowledge. Suriname supported efforts to place the potential of ICT in such areas as e-commerce and e-government at the service of development and at the disposal of the individual, and its Government was working towards full implementation of the Plan of Action produced in the first phase of the World Summit. Telecentres had been established in the interior of the country, a national

institute for ICT was being set up and a distance learning project was soon to be launched.

55. Suriname strongly supported the World Summit. It encouraged effective participation in the second phase, to be held in Tunis in November 2005, and attached great importance to achieving the objectives set forth in the Declaration of Principles and Plan of Action adopted at the first phase, in Geneva. Despite the many commendable initiatives undertaken, there was still a long way to go before the benefits of ICT could be extended to everyone. The digital divide was as wide as ever, with billions left unconnected.

56. **Mr. Chimphamba** (Malawi) said that ICT was central to sustainable development and the attainment of the Millennium Development Goals. Malawi was committed to the World Summit, and hoped that the conclusions reached at it would be fully implemented to enable developing countries, particularly in Africa, to take full advantage of ICT and the digital revolution. Although Africa had the potential to reap significant gains from ICT, access to information and communication services was still insignificant in Africa. Although the continent was home to about 12 per cent of the world's population, it accounted for less than 1 per cent of the world's Internet content. Although the leaders attending the G-8 Summit in Okinawa in 2000 had pledged to provide developing countries with substantial assistance in promoting ICT, a great deal remained to be done, and continued assistance was needed.

57. **Mr. Khair** (Jordan) applauded the efforts by the United Nations to promote the use of ICT both to attain the development goals set forth in the Millennium Declaration and to achieve operating efficiencies within the organizations of the United Nations system. Switzerland and Tunisia were to be congratulated for hosting the two phases of the World Summit and it was important to heed the appeal made by the International Telecommunication Union for voluntary contributions towards defraying the costs of the Summit. While the first phase had set out the framework and concepts of using ICT to build the information society, the second phase would have to focus on practical solutions for implementing the Plan of Action agreed in Geneva and ensuring subsequent follow-up. In addition, it would need to consider financing mechanisms for the implementation of ICT and Internet governance.

58. **Mr. Gerus** (Belarus) commended the recent progress in coordinating and developing international cooperation for the expanded use of ICT. A significant role had been played by the first phase of the World Summit on the Information Society, held in Geneva in December 2003. Belarus called on Member States and bodies of the United Nations system, chiefly the regional commissions, to contribute to the second phase, to be held in Tunis in November 2005. It was important, on the basis of an analysis of the results of recent joint efforts, to develop decisions adopted by the Heads of State and Government in the Geneva Declaration of Principles and Plan of Action. It was necessary to outline measures for further action in implementing the decisions of the Geneva phase.

59. Effective use of ICT in the attainment of the Millennium Development Goals was possible only when they were given their proper place among the development strategies and programmes of the international community. Bearing in mind the differences between regions and countries, the priority should be to bridge the divide. That priority should be tackled not only by governments and United Nations bodies but also by regional development banks, private funds and public organizations. National experience should be exchanged and partnership programmes developed. Belarus had proposed the creation under United Nations auspices of a trust fund to compensate software producers exporting products to developing countries at reduced prices.

60. Among countries with economies in transition, Belarus had a unique educational, scientific and production potential, and was open to cooperation in the utilization of ICT. In recent weeks, the President of Belarus had signed a bill on the establishment of a Park of High Technologies, which would not only develop science in Belarus but also provide for the export of ICT and related programmes. The Park would be governed by a special legal regime, with tax exemption and other preferential treatment for participants.

The meeting rose at 5.20 p.m.